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FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY DECEMBER 10 1993 — D8523A

Saddam agrees to free three Britons after Heath plea

President Saddam Hussein ordered the release of three Britons jailed for entering Iraq illegally. His decision followed a meeting with former British prime minister, Sir Edward Heath, in Baghdad. Paul Ride, 33, and Michael Wainwright, 42, were jailed last year for seven and 10 years respectively. Simon Dunn, 23, was arrested in June and jailed for eight years. They are expected to be freed today. Page 4

Gloomy Japanese forecast: Japan's economy will contract by 0.4 per cent next fiscal year, according to the Nomura Research Institute, which blamed the expected shrinkage on a continuing fall in corporate earnings and capital spending in coming months. Page 14

Support grows for US gun registration

The imposition of a nationwide system for registering and licensing guns is gradually gaining support in the US. Attorney-general *Janet Reno (left)*, who has been asked by President Bill Clinton to study the proposal, said she strongly favoured a licensing test to show that individuals can safely and lawfully use a gun. "I think it should be at least as hard to get a licence to possess a gun as it is to drive an automobile," Ms Reno said. Page 14

Bigger VW loss: Volkswagen, the German carmaker, expects to lose DM2.3bn ($1.4bn) this year, some DM300m more than the company forecast two weeks ago. Page 15

Gales sweep Europe: Gales lashed northern Europe, killing at least 13 people in Britain alone. A fisherman was lost from a Dutch trawler in the North Sea, and an Irish rescue helicopter lifted five seamen from a Spanish trawler which foundered in the Atlantic. Picture, Page 6

Metals group acts: Metallgesellschaft, the lossmaking Frankfurt-based mining, metals and industrial conglomerate which earlier this week averted a liquidity crisis by reaching agreement with its bankers over new lines of credit, is to reduce two of its more substantial foreign shareholdings. Page 15

Hubble repair completed: Astronauts finished a gruelling five-day repair job on the $3bn Hubble space telescope. They plan to put it back into orbit today.

Pilkington doubles profit: Pilkington, the UK glassmaker, made the most of a glimmer of recovery in some of its markets by doubling pre-tax profits from £15.1m to £30.5m ($45.4m), in the half-year to end-September. Page 15

Lang loses seat: Former French arts minister Jack Lang was forced to give up his parliamentary seat for spending too much on his campaign in the March legislative elections. Page 2

Pechiney price hit: Shares in Pechiney International, the French packaging company, fell sharply following Wednesday's announcement that it would take a provision of up to $75m to cover the purchase of excessive amounts of metals at unfavourable prices. Page 16

NEC cash pledge: NEC, the Japanese electronics company, is to invest Y7bn ($64.5m) in Groupe Bull as part of a recapitalisation plan for France's lossmaking state-owned computer manufacturer. Page 15

Televisa venture off: The proposed joint venture between Tele-Communications, the US cable operator, and Televisa, the Mexican media group, has fallen through. Page 17

Bank loses patience: Hokkaido Takushoku Bank, the Japanese commercial bank, is close to cutting the loan lifeline to Esco Leasing, a troubled finance company which has borrowed a total of Y220bn ($2.02bn) from 33 Japanese institutions. Page 18

MFA extended: The Multi-Fibre Arrangement, which restricts most third world exports of textiles and clothing to the industrialised nations, is to be extended to the end of 1994. Page 5

Extremists escape: Nine rightwing radicals overpowered prison guards and ignored warning shots in escaping from a jail south of Berlin.

Share prices: The London recent issues table has not been updated for this edition due to technical problems.

■ STOCK MARKET INDICES

FT-SE 100:	3,271.6	(-5.8)
Yield	3.61	
FT-SE Eurotrack 100	1,418.66	(+0.44)
FT-A All-Share	1,606.2	(-0.1%)
Nikkei	17,061.91	(+553.96)
New York lunchtime		
Dow Jones Ind Ave	3,745.70	(+11.17)
S&P Composite	466.18	(-0.11)

■ US LUNCHTIME RATES

Federal Funds:	2$\frac{15}{16}$%
3-mo Treas Bills: Yld	3.106%
Long Bond	101$\frac{3}{32}$
Yield	6.15%

■ LONDON MONEY

3-mo Interbank	5$\frac{7}{16}$%	(5$\frac{1}{4}$%)
Liffe long gilt future:	Dec 118$\frac{31}{32}$	(Dec 118$\frac{1}{2}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$13.645	(13.63)

■ Gold

New York Comex Dec	$382.6	(383.8)
London	$382.8	(393.25)

■ STERLING

New York lunchtime:		
$	1.4965	
London:		
$	1.4955	(1.495)
DM	2.55	(same)
FFr	8.7375	(8.73)
SFr	2.195	(2.1925)
Y	162.5	(162.25)
£ Index	81.7	(same)

■ DOLLAR

New York lunchtime:		
DM	1.704	
FFr	5.8405	
SFr	1.4655	
Y	108.7	
London:		
DM	1.7055	(1.705)
FFr	5.8425	(5.84)
SFr	1.467	(1.466)
Y	108.65	(108.5)
$ Index	66.7	(66.6)
Tokyo close Y 108.65		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils600	Poland	Z32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

European leaders split over costs of Gatt and need to tackle unemployment

Jobs and trade threaten summit

By Lionel Barber and David Gardner in Brussels

European leaders gather today for a two-day summit likely to be disrupted by internal rows over the cost of a world trade deal now within sight.

Further tensions are expected to surface in the debate on how to tackle the continent-wide unemployment crisis, and on a white paper on jobs and growth prepared by Mr Jacques Delors, president of the European Commission.

The summit is likely to expose an ideological fault line in the EU, centring on the degree of labour market deregulation necessary to create jobs and the cost of infrastructure investment needed to make Europe more competitive.

On Gatt, the 12 member states must accommodate French insistence that its farmers will not have to take more land out of production to meet the requirements of a new world accord on subsidised food exports.

This has pitted Paris against Bonn, which is also resisting French demands that the EU puts in place tougher trade *defence mechanisms equal to* those of the US.

France's hard line has encouraged other member states such as Portugal, Greece and Spain to bring pressure on their partners to compensate for shortcomings *in the likely Gatt accord on textiles*, maritime transport and Mediterranean farm produce.

Belgium, which holds the rotating EU presidency, will push hard for a commitment to act on the white paper's conclusions. "There is quite a lot of agreement on the orientation; the debate will centre on the financing of it," a senior Belgian official said.

Mr John Major, UK prime minister, is expected to try to paint Mr Delors' blueprint as a free-spending, interventionist recipe. But other British officials at the summit played down the likelihood of confrontation and described the white paper as an intellectually respectable document.

Another source of contention is Mr Delors' proposal for the EU to spend up to Ecu20bn ($22.8bn) a year to the end of the century as a catalyst for heavy pan-European investment in roads, rail, *energy, environment* and advanced information networks. The projects are to be funded partly through new European Union bonds amounting to Ecu8bn a year.

Britain may get backing from Germany to oppose the new bonds, but French officials predicted that Chancellor Helmut Kohl would support the scheme on the basis of a yearly review. The budget-conscious Dutch have already signalled support for the scheme.

In London Mr Kenneth Clarke, the chancellor, attacked Mr Delors' plans, saying there was no evidence of the need for Community borrowing for infrastructure *improvements across* Europe.

Commission officials warned that promises of financial compensation in relation to the Gatt deal risked wrecking the seven-year budget deal struck a year ago at the Edinburgh summit after highly divisive negotiation. The UK and Germany are adamant that the budgetary ceiling agreed at the time cannot be breached.

Mr Delors, who is approaching the end of 10 years in charge of the Commission, intends to sell with some of his old vigour his prescription for a Europe which creates more jobs while becoming more competitive. He also intends to leave European leaders in no doubt that they face additional responsibilities following the entry into force last month of the Maastricht treaty.

With support from the Belgian presidency, he will tell leaders that their national economic policies are a matter of "common interest". He will also suggest that he favours a stronger role for the European monetary institute, the precursor of a future European central bank which will manage the planned single European currency.

Summit leaders must also tackle the delicate question of how the prospective enlargement of the Union to embrace Austria, Finland, Sweden and Norway will affect the balance between big and small countries' voting strengths.

Background, Page 2

Row over shipping hits trade accord

By David Dodwell and Frances Williams in Geneva

Hopes of liberalising international trade in services in the Uruguay Round talks were thrown into disarray yesterday when negotiators reacted angrily *to details of the US offer on* shipping.

Other key services sectors such as banking and securities have been the subject of controversy for several weeks, and the US and the European Union remain *at loggerheads over access to* Europe's film and television market. If shipping now drops off the negotiating table, Geneva officials acknowledged that the services deal would be in tatters.

European trade negotiators *also aroused consternation* yesterday by saying they would finalise tariff-cutting deals with just 15 to 20 countries before the Uruguay Round deadline next Wednesday. Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, insisted that the EU "must find the time, and the personnel, to bring the round to a conclusion" on time.

The EU thought it had won an important concession from Washington on ocean shipping during talks on Monday in Brussels between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, his EU counterpart. But angry EU negotiators discovered yesterday that the offer amounted to less than they had believed. One US official claimed yesterday there had been an "*unintentional misunderstanding*".

The US has agreed only to include cargo reservation systems in the services package, about 3 per cent of the ocean shipping sector. Even here, the offer is confined to a commitment not to increase existing restrictions, which reserve 75 per cent of the business for US flagged ships.

"It looks like maritime is going to be out of the round," said one gloomy EU negotiator. "The US position is killing negotiations in this sector." Liberalisation of *shipping services* is a key demand for EU members Den-

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Syria to return to peace talks with Israel

By Mark Nicholson in Cairo and *Julian Ozanne in Jerusalem*

Mr Warren Christopher, the US secretary of state, yesterday announced Syria's formal return to direct peace talks with Israel and said President Bill Clinton would meet *President Hafez al-Assad*, the Syrian leader, early next year in Geneva.

Syria has for three months refused to resume bilateral talks without a prior Israeli undertaking to withdraw fully from the Golan Heights, captured in the 1967 war. The last round of bilateral talks, the eleventh, took place in September.

At a press conference in Damascus, Mr Christopher declined to reveal what undertakings Syria had been offered, adding that any revelations might hurt progress in the negotiations.

Mr Clinton is expected to meet Mr Assad in Geneva after January 15, adding a stop to a European tour taking in Brussels, Prague, Moscow and Minsk. It will be the first meeting of US and Syrian leaders since Mr George Bush met Mr Assad in November 1990 during efforts to create the multinational coalition which ejected Iraqi forces from Kuwait.

Mr Farouk al-Sharaa, Syria's *foreign minister, said the summit* would "help to push the peace process forward", adding: "Such a meeting is so important – I think it would produce results."

The summit will mark a significant *opportunity for Syria to* press for the lifting of the economic sanctions imposed because the US and other western nations consider it to be a state sponsor of terrorism. However, Mr Christopher said that nothing had changed in the US assessment of Syria either in this regard or in respect of its human rights record.

Mr Christopher also said Lebanese and Syrian heads of delegation had agreed to meet in Washington on January 18 to discuss a full resumption of peace talks with Israel, either at the end of the month or early in *February. Mr Christopher said* he was confident that such agreement would follow.

The fruitful climax to Mr Christopher's latest Middle East shuttle came as Mr Yassir Arafat, the PLO chairman, and Mr Shimon Peres, *Israel's foreign* minister, met in Spain in an attempt to inject momentum into their own stalled negotiations. They restated their hope that Israeli forces could start withdrawing from Gaza and Jericho on schedule next Monday.

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US tempts Syria, Page 4

Boris Yeltsin with Jacques Delors (right) and Belgian prime minister Jean Luc Dehane after signing an accord with the EU

Associated Press

Merger of Swedish banks set to claim biggest market share

By Christopher Brown-Humes in Stockholm

A merger of Nordbanken and Gota Bank to create Sweden's biggest bank in terms of market share appeared certain yesterday after Skandinaviska Enskilda Banken, the only other bidder for Gota, broke off negotiations.

A combination of the two state-owned banks would have 24 per cent of the country's total deposits and lending, although in asset terms it would still be smaller than Swedbank and SE Banken. The merged entity could be privatised as early as 1995.

SE Banken said its decision to withdraw its bid was based on an analysis of the information made available during the negotiations, but it declined to elaborate.

Its statement echoed that of its rival, Svenska Handelsbanken, which pulled out of the bidding earlier this week because of information received during the valuation process. Handelsbanken also said the government was seeking "far too high" a price for the bank.

SE Banken's withdrawal means Nordbanken is the only remaining bidder. The only foreign bidder, General Electric, withdrew last month.

A government statement on the future of Nordbanken and Gota is expected today when *details of the recapitalisation of* Gota Bank may also be published.

The bank is likely to receive an injection of at least SKr20bn ($2.4bn) to support its problem loans. A formal separation of Gota's healthy activities from SKr43bn worth of problem loans dumped in a "bad bank" entity called Retriva is expected to take place at the year-end.

Analysts believe the state was deliberately asking a high price for Gota because it had concluded that the synergy benefits from a Nordbanken/Gota Bank merger would be considerable and would enable the state to get a better price for the combined entity than the two individual components.

Nordbanken and Gota Bank both collapsed into state control last year after suffering huge *losses during Sweden's financial* sector crisis.

Nordbanken, which saw the bulk of its problem loans hived off into a unit called Securum at the start of 1993, recorded a SKr2.5bn operating profit in the *first nine months*. Gota Bank made a SKr8.48bn operating loss over the same period, excluding the impact of state guarantees.

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هكذا من الاصل

Brussels summit must meet national concerns without breaking the budget

EU walks tightrope on world trade deal

By David Gardner in Brussels

European Union leaders face the delicate task at their Brussels summit today and tomorrow of buying off France and other member states adamant that the Gatt world trade deal now in sight will damage vital national interests.

The 12 heads of government will need carefully crafted formulae to satisfy demands the EU will mostly have to meet internally, without breaking a European budget already at its limit.

French insistence on a guarantee that EU farmers will not have to "set aside" or take any more land out of production under a Gatt deal could prove potentially the most expensive. The most divisive issue is likely to be the Franco-Spanish demand that the EU equip itself with tougher anti-dumping and safeguard weapons against unfair trading, as well as trade retaliation instruments to match the US Section 301 legislation.

On both counts, Paris could collide with Bonn, which is firmly against new EU trade weapons and fears that the set-aside condition could lead to a further drop in EU farm prices which would hit inefficient German farmers.

Portugal feels the EU has failed to reduce significantly US protection of its textile industry, and wants aid to restructure its own, large textiles sector.

Greece, which is said to own 40 per cent of the world shipping fleet, believes the Gatt deal on maritime transport will allow the US to remain protectionist in ocean shipping. The deal "will raise the costs and inefficiency of international maritime transport", says Mr Theodoros Pangalos, Greek alternate foreign minister. Greece may also seek compensation.

On the farm question, if the EU's reform of its common agricultural policy works, European farmers should be able to evade the 21 per cent Gatt cuts in subsidised food exports. The reform's production cuts – through set-aside – mean the EU should be exporting less than the Gatt limits, and its goal of lowering prices to world market levels means the EU could export as much as it wants without subsidy anyway.

If this forecast proves wrong, France wants even lower prices rather than more set-aside, plus full compensation for the price cut. And each Ecu10 gap between EU and world prices would cost the Union Ecu2bn (£1.52bn). The Commission is confident enough of its forecasts to believe a commitment to Paris will cost nothing, but the main EU paymasters, Germany and Britain, are less sanguine. "I can live with any wording which has no cost to the UK taxpayer. If it looks like a cheque book I'm not signing," one senior British official said.

Bonn apart, attitudes are less hard on trade weapons. A Uruguay Round deal should see the Gatt succeeded by a Multilateral Trade Organisation, which would license all signatories' use of such weapons, so that new European defences would go into an internationally policed mutual deterrence system. The US is still reluctant to place its 301 arsenal under an MTO. The question is, one EU diplomat said, "does European rearmament make US disarmament less likely?"

A possible solution is to make any new EU trade weapons conditional on securing a satisfactory MTO in the Geneva negotiations – provided Bonn concedes the principle. But German officials have hinted for some time that if the French dig in, Chancellor Helmut Kohl could give in.

German call for wholesale change on pay

By Quentin Peel in Bonn

Employers and trade unions in Germany are facing a "crisis of consensus" and must now overhaul their entire system of over-regulated wage-bargaining, the country's leading employers' spokesman said yesterday.

Mr Klaus Murmann, president of the federation of German employers (BDA), called for a prolonged onslaught on the high costs of industry, including not simply wages, but the whole array of fringe benefits, holiday entitlement, and social security payments.

He warned that more than 6m people would be either officially unemployed, or working in "disguised unemployment" on job creation schemes or retraining programmes by the end of 1994. For employers to create more jobs, and revive the level of investment, they needed more flexibility from the unions, the public sector, and in their own thinking.

Mr Murmann, who was re-elected with a large majority to the post he has held since 1986, also called for a switch in the whole system of financing job creation and training in eastern Germany. He backed the opposition Social Democratic party, and the union movement, in proposing that such schemes should be financed by direct taxation, and not by increased unemployment benefits as at present.

He was speaking as latest figures published for insolvencies in German industry showed a new record level in the past year, with the numbers still rising. In the first nine months west German company insolvencies rose by 29.5 per cent compared with the same period of 1992, to a total of 9,284.

In September, the monthly figure was 1,101, an increase of 38.3 per cent on September, 1992, reflecting the effects of the sharpest recession in the German economy since the second world war.

Mr Murmann warned that the country was showing excessive pessimism about the state of the economy. At the same time, the willingness of the private sector to invest was undermined by the soaring public sector debt: he predicted that even today the federal government's revenue expectations would prove excessively optimistic, given the economic recession and the sharp rise in unemployment.

Mr Murmann's comments, coming just as the wage round is getting under way, seem likely to anger the leading trade unions, who fear employer pressure to break the long-standing social consensus.

Viag, the energy-based conglomerate, and Bayernwerk, Germany's third largest utilities group, yesterday formed a telecoms subsidiary, writes Ariane Genillard. The company, called Telekommunikation Gesellschaft für Betrieb and Dienstleistungen, will manage the telecoms network linking Bayernwerk and Viag to their domestic and international subsidiaries. It will offer voice telephony, data transmission and value-added services to the two companies' subsidiaries.

Euro-networks plan comes under scrutiny

By Andrew Hill and Lionel Barber in Brussels

Until "trans-European networks" appeared in the European Commission's white paper on growth, competitiveness and employment published this week, the European Union's new infrastructure policy had tended to go unnoticed by politicians and citizens.

The networks are the building blocks of a united Europe. They are huge infrastructure projects in roads, rail, energy, and telecommunications the purpose of which is to move people, goods and information more easily around the single European market and forge closer links with eastern Europe.

The white paper calls for "joint, massive and sustained effort on the part of the authorities at all levels and of private operators" to establish this new infrastructure across the EU.

But it is the white paper's estimate that Ecu400bn (£304.8bn) of direct public and private investment could be "mobilised" for such networks by 1999 which has guaranteed that Union leaders, flanked by budget-conscious finance ministers, will take a close look at what this spending could involve when they discuss the issue at their summit today.

Last Sunday the Commission provoked an uproar by presenting European finance ministers with plans for EU spending of around Ecu124bn on the projects over the next six years, including a scheme for the Commission to borrow on the international capital markets.

Mr Kenneth Clarke, UK Chancellor of the Exchequer, complained that the plans had been slipped into Mr Jacques Delors' white paper without proper scrutiny by finance ministers.

In effect tying the hands of Mr John Major, the British prime minister, before today's EU summit in Brussels, Mr Clarke declared: "The governments of Europe will not conceivably expect to agree new arrangements for borrowing between Ecu20bn a year without so much as a sheet of paper on the table."

Mr Clarke chose to ignore that most of the money for trans-European networks has already been earmarked in the seven-year "Delors II" budget agreed a year ago, while the principle of subsidised lending for big infrastructure projects is incorporated in the Maastricht treaty itself.

The real source of controversy lies in the Commission's plan to use its Triple-A credit rating to raise money at cheap rates for lending on to governments to fund trans-European networks.

Supporters argue that Brussels has in the past raised money to help governments such as Italy and Greece with balance of payments difficulties; but other Commission officials admit that raising money for public works programmes risks duplication with the European Investment Bank, the principal funding agency for infrastructure projects.

On the other hand, the Commission claims that about Ecu20bn will be needed to fund trans-European networks. According to official calculations, Ecu5.3bn is already earmarked in the budget, with the EIB expected to lend a further Ecu6.7bn a year. This leaves a financing gap of Ecu8bn to be plugged with the so-called "Brussels bonds".

Mr Delors insists that trans-European networks are not a job creation scheme, but more a medium-term project for strengthening European competitiveness. He argues that raising Ecu8bn a year will send only a ripple across the international bond markets and not affect interest rates.

"If a German minister is against, then I may remind you that to fund German unification they did not need 8bn a year, but 40bn to 50bn."

Even if financing is agreed, the ideal of trans-European networks has already run up against several problems.

First, there is a problem with co-ordination. Trans-European networks – unlike the Commission's visionary single market project – are not the responsibility of a single European commissioner. Ministerial votes on individual projects are split between at least four different councils – transport, telecoms, energy and internal market – with research ministers controlling the separate R&D budget.

Those councils have already started to chip away at the wider vision of unified networks serving a European "information society". On Monday, for example, research ministers decided to cut the proportion of the 1994-1998 research and development budget which will be spent on information and communications technologies from 36 per cent to 28 per cent.

On Tuesday, to the irritation of Mr Martin Bangemann, industry commissioner, telecoms ministers rejected a proposal for an electronic network linking national administrations on the grounds that the Commission had not done enough homework on the real need for such a network.

Some of the projects also depend on the success of controversial liberalisation of protected utilities. Proposals to link up electricity and gas networks across borders, for example, look fine on paper but such links will be relatively unused unless the Commission's controversial plans to liberalise the EU energy market are also agreed.

The willingness of the private sector to fund large infrastructure projects also varies. In the telecoms sector, for example, large companies are eager to help set up networks, but constructions groups require more effective guarantees before attempting large road or bridge projects.

The risk, as the Commission is aware, is that the combination of a row about public money, a reluctance to liberalise, and a lack of private-sector finance might undermine the employment benefits of the project and leave Europe with an unhappy patchwork of half-finished networks.

Spain has head start on Delors jobs plan

By Tom Burns in Madrid

Prime minister Felipe González, who is grappling with the worst unemployment record in the European Union, has only an academic interest in discussing Mr Jacques Delors' white paper on competitiveness, growth and job creation at today's Brussels summit. The Spanish leader has already begun to implement many measures advocated in the Delors document.

As Spain enters its second year of recession, Mr González has unveiled a legislative package that aims to curb union bargaining power, reduce the costs of hiring and firing, make it easier to relocate employees and make job classifications more flexible. The government also plans to peg wage increases to below the inflation rate over the next three years.

Parliament will debate a draft law to deregulate labour laws when it reassembles after Christmas.

A law which came into effect earlier this week also introduces an apprenticeship scheme for under-25-year-olds who will be paid less than the minimum wage over a three-year period, and removes legal impediments to part-time work.

The Brussels discussion will nevertheless help Mr González as he tries to sell his package in Spain. "The white paper is a useful umbrella to withstand the storm," said a European diplomat yesterday. The legislation's main critics, the unions, accuse the government of creating "junk jobs" and are planning a 24-hour general strike next month.

But the government is determined to push its reforms through. It believes the general malaise afflicting the EU economy is sharper in Spain where labour market rigidities are deeply ingrained and labour costs are considered to have risen more quickly than elsewhere.

The two ills are blamed for waning multinational interest. Direct foreign investment last year was nearly two thirds down on 1991, half that of the previous two years and at its lowest since 1987. Investment from OECD countries fell again in the first half of this year.

The experience of Madrid corporate law firm J & A Garrigues exemplifies Spain's declining competitiveness. In the past six months five multinationals seeking industrial bases for big investments have passed through the firm and, according to senior partner Mr Antonio Garrigues, one settled for the Czech Republic, another for Scotland, two went to Portugal and a fifth is undecided but has ruled Spain out. "Three years ago at least two of the five would have chosen a Spanish location," Mr Garrigues said.

In the meantime unemployment stood was 3.5m at the end of September, representing 23 per cent of the working population. This figure from the national statistics office masks considerable employment in the informal, or submerged, economy but is nevertheless the highest in the EU.

Accord in sight with Oslo on oil and gas

By Andrew Hill in Brussels

European Union energy ministers appear close to solving a long-running dispute with Norway, which had threatened to derail EU membership negotiations.

The ministers will today seek a compromise on plans to liberalise the licensing of oil and gas exploration. "Given the amount of progress we have made in the past six or seven weeks, I would be very surprised if it were not possible to do a deal," said one EU official yesterday.

Political agreement today would help clear a potential obstacle to Norway joining the EU. Sovereignty over its natural resources ranks with fisheries and agricultural policy as an issue which could derail entry talks.

Norway was not directly involved in talks on the hydrocarbons licensing directive, but it found an EU ally in Denmark. Both countries' systems for granting special privileges to their state-owned energy companies were threatened by the directive. Denmark had hinted it would veto the measure if dissatisfied.

It is understood that Norway is now prepared to open new contracts to greater EU competition. Norwegian officials said yesterday they would reserve judgment until they saw the final decision of EU member states. They will also insist that a protocol is added to the treaty admitting Norway to the EU, to stress the importance of its sovereignty over natural resources.

Denmark, meanwhile, has agreed to allow open competition into its oil and gas-fields when the existing system comes up for renewal early next century.

British and French ministers will today try to ensure that government regulation of the sector is clearly separated from the commercial role of state-owned companies, to prevent covert discrimination.

Mr Tim Eggar, the UK energy minister, said the directive would also resolve a long-running dispute and make clear that EU member states have full sovereignty over their continental shelfs.

Separately, ministers will have their first discussion of the European Commission's revised proposals on opening EU electricity and gas markets to competition.

Associated Press
Pope John Paul shakes hands with Rome's newly-elected mayor, Mr Francesco Rutelli, a member of the Greens party, at the Spanish Steps yesterday, the feast of the Immaculate Conception

Northern League loses clean image after arrest

By Robert Graham in Rome

The populist Northern League has been deeply embarrassed by the disclosure that Mr Alessandro Patelli, the movement's former treasurer, failed to declare L200m (£80,700) received from the Ferruzzi-Montedison group for the 1992 general elections.

The rise in the League's popularity in northern Italy has been based in good measure on its image of honesty and rejection of corruption.

Mr Patelli, who managed the 1992 general election campaign finances for the League, was arrested and imprisoned on Tuesday on charges of illicit party funding. He was released on Wednesday after he reportedly confessed to receiving L200m from Ferruzzi-Montedison. His alleged confession was given widespread coverage in yesterday's media.

Mr Umberto Bossi, the League's leader, who has consistently claimed his party's finances were above suspicion, has been quick to defend Mr Patelli, a close aide, and declare his faith in the Milan magistrates conducting the investigation. He has also denied suggestions he might have discussed contributions to the League during a meeting with Mr Carlo Sama, the head of Montedison.

Mr Francesco Speroni, head of the League group in the senate, said: "We must see if Patelli took these monies for the League or for some company which he ran – if it is the second thesis, then it is no longer a question of illicit financing of the party.

"If on the other hand, the money ended up with the League, then this was irregular and Patelli would be at fault."

The affair comes at a delicate moment for the League, with the movement divided over whether it should seek political alliances to fight the next general election.

Mr Silvio Berlusconi, the media magnate, has been making overtures to form a new centre-right political alliance including the League.

Nuclear power row renewed

By Quentin Peel

The future of Germany's most modern, and hitherto most useless, nuclear power plant is back in the firing line, in a new confrontation over nuclear energy.

The power station at Mülheim-Kärlich, owned by RWE, Germany's largest electricity utility, has stood idle since it was virtually completed in 1988, because of a refusal by the local authorities to grant operating licences.

RWE is threatening to sue the state government of the Rhineland-Palatinate – headed by Mr Rudolf Scharping, leader of the opposition Social Democratic party in Bonn – for some DM500m (£198m) in lost revenues and accumulated financing costs for the plant. It was ready to come on stream a year after the Chernobyl nuclear disaster, which saw a complete standstill on all new nuclear projects in Germany.

Now Mr Klaus Töpfer, federal environment minister in Bonn, is threatening to take the Rhineland-Palatinate government to the constitutional court.

He has ordered Ms Claudia Martini, his counterpart in Mainz, the state capital, to rescind her decision refusing to give a long-term operating licence to the plant, on the grounds that she is exceeding her statutory authority.

Ms Martini is refusing to back down, insisting that it is the federal government, not the state, which is at fault.

The new grounds for her refusal to license the power station concern the failure of RWE, and the federal government, to ensure a clear means of disposing of the nuclear waste which will be generated by its operation.

At present, nuclear waste in Germany is supposed to be reprocessed under contracts with France, and with Britain's BNFL, for eventual re-use in Germany as mixed-oxide (MOX) fuel elements. However, there remains no long-term solution for the disposal of the residual nuclear waste, and manufacture of the MOX elements has also been blocked by the SPD-Green government in neighbouring Hesse.

Lang quits as MP over poll expenses

By Alice Rawsthorn in Paris

Mr Jack Lang, the flamboyant former French arts minister who was one of the most prominent figures in the previous socialist government, was yesterday forced to relinquish his parliamentary seat for spending too much on his campaign in the March legislative elections.

The French constitutional council ordered Mr Lang, 54, a friend of President François Mitterrand to resign immediately his seat at Loir-et-Cher after finding he had exceeded by FFr90,000 (£10,285) the FFr600,000 maximum French MPs are allowed for campaign expenses. A by-election will be held within three months.

Mr Lang, deputy prime minister and education minister in the previous socialist administration, vowed to return to politics as soon as possible. The constitutional council has banned him from standing for parliament for a year.

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Mediators forced to drop plan for all-party Bosnia talks

By Laura Silber in Belgrade and Lionel Barber in Brussels

International mediators Lord Owen and Thorvald Stoltenberg yesterday abandoned plans to resume all-party talks on Bosnia's partition after secret meetings with Serb leaders in Belgrade failed to achieve a breakthrough.

Mr John Mills, spokesman for the peace talks, said the mediators "hoped to be in a position" to reconvene talks among the three warring communities in the week beginning December 20.

However, Commission officials said President Slobodan Milosevic was using the European Union plan, which Lord Owen is promoting as the basis for a settlement, to press for a division of Sarajevo. The plan links a progressive lifting of sanctions against Serbia with some territorial gains for the Moslems.

Mr Hans Van den Broek, EU external political affairs commissioner, yesterday warned that Serb territorial claims on Sarjevo risked creating "a second Berlin or Beirut" in Europe. The EU must not be party to the division of Sarajevo in the Geneva peace talks, he said. It was a matter of principle, since Sarejevo remained an example of a multi-ethnic city in Bosnia.

The peace negotiators faced a difficult dilemma in their effort to reach a settlement, and the EU could not object to an agreement signed by all the parties. But he noted that the Bosnian Moslems were negotiating "with a gun to their head".

His remarks came after a series of bilateral talks which failed to break the deadlock over proposed frontiers of the republic's partition into three ethnic ministates. "The Serbs apparently did not give enough for the Moslems to be happy enough for them to meet," said a diplomat.

Earlier, diplomats had said that if the talks with Mr Milosevic and his Bosnian Serb proxies went well, the three parties would meet this weekend in Thessaloniki, Greece.

However, at yesterday's talks, which Serbian sources said were held at Dobanovci, a military base 30km west of Belgrade, the mediators apparently failed to wring concessions from Serb leaders for their Moslem adversaries.

While the mediators press Serb leaders to hand over more land, General Ratko Mladic, Bosnian Serb commander, has ruled out giving up any territory, including the 20 per cent pledged three months ago.

But Mr Radovan Karadzic, Bosnian Serb leader, was reported by a Belgrade newspaper yesterday as saying: "There are real possibilities that the war in former Bosnia-Hercegovina will end in January or February next year, and the lifting of sanctions against Yugoslavia will follow."

Fascist party enters Russian nightmares

By Chrystia Freeland in Moscow

ELECTIONS IN RUSSIA

If Mr Vladimir Zhirinovsky, the leader of Russia's extreme right-wing Liberal Democratic party, does as well as two separate surveys conducted this week indicate, the charismatic politician could command the second largest bloc in the Russian parliament.

And if Mr Zhirinovsky forms an alliance with the Communists and the Agrarians, who share his tough nationalist stance, hardliners could end up controlling more than a quarter of the seats in parliament.

Even in this nightmare scenario, the extreme right would be less powerful than the combined forces of the hitherto divided democrats. Mr Yegor Gaidar's Russia's Choice group is still leading the polls and Mr Grigory Yavlinsky's "Yabloko" grouping, which advocates a different strategy for market reforms, is coming in third. If the constitution is accepted on Sunday, it would also give Mr Yeltsin the final say in forming the government.

However, even in opposition, the hardline parties could exert a powerful, and unsavoury, influence on the overall direction of Russian politics. Apart from his promises to make life economically comfortable for all, Mr Zhirinovsky's other trump card in the election campaign has been his pledge to renew Russia as a great state.

"Russian soldiers will once again stand guard along the 1975 borders of the Soviet Union, and, once we put them there, they will not move back a single step," a tired but triumphant Mr Zhirinovsky declared yesterday. "The world should think twice before opposing us – after all, is it really desirable to have a third world war?"

Statements like these are standard fare for Mr Zhirinovsky. Bombastic and outrageous though they may sound to western ears, for a significant number of Russian voters, who have impotently watched both their country and their pay cheques shrink over the past two years, Mr Zhirinovsky's message appears to offer an attractive third way, - rejecting both the Communists and the economic reform programmes of Russia's tried and tested democratic politicians.

Mr Zhirinovsky says that he will not form a coalition with any other group. Indeed, his campaign strategy is to remind voters that he represents a "clean, untainted alternative" to both the communist past and the democratic present. However, in foreign policy at least, he has a natural ally in Mr Gennady Zyuganov's Communists, whose favourite "ism" is nationalism.

Mssrs Zhirinovsky and Zyuganov enjoy another political advantage: both are leaders of parties in which loyalty is the paramount virtue and thus are likely to command more disciplined blocs in parliament than the more independently-minded democratic groups.

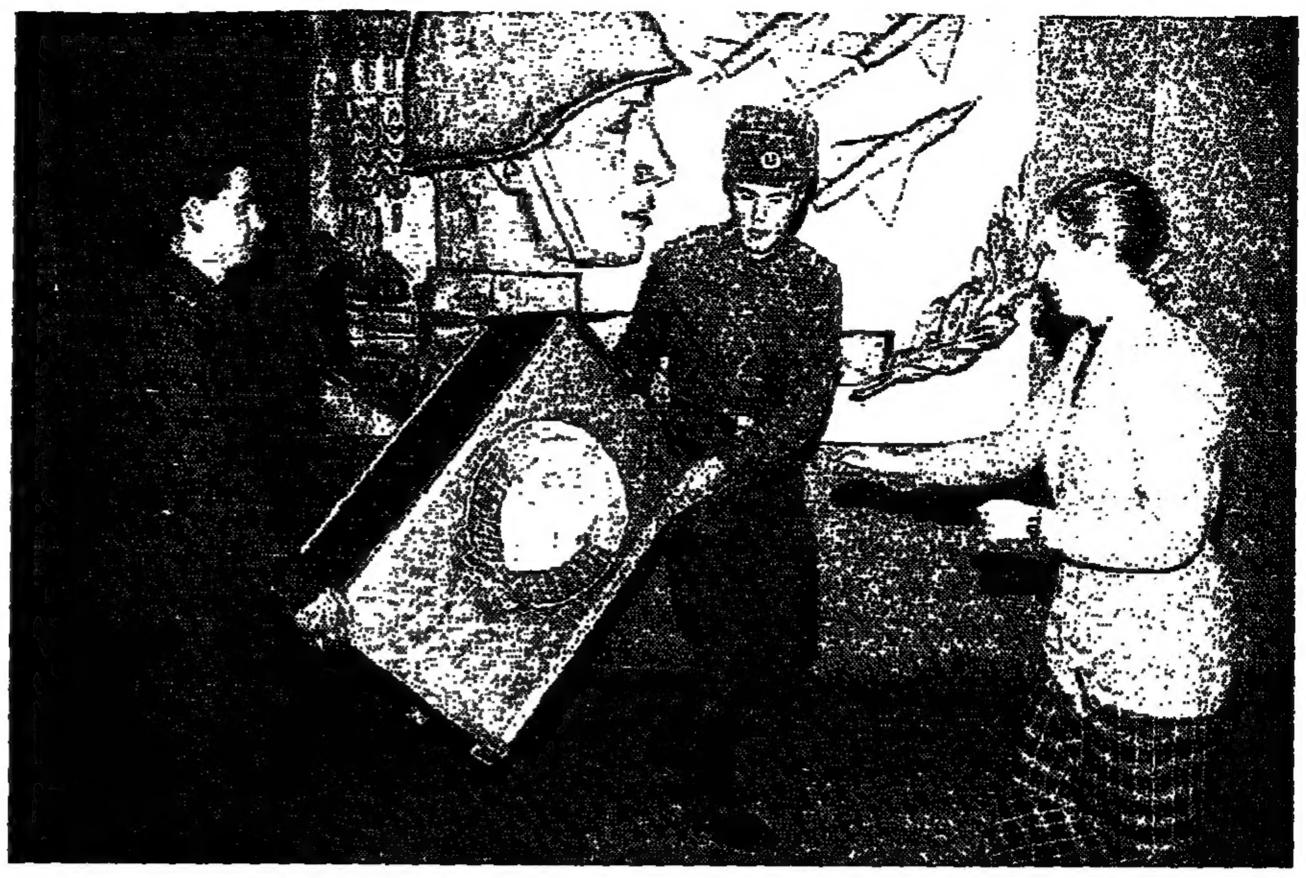
Their combination of discipline and demagoguery could give these hardline parties the power to push Russia's entire political spectrum to the right and force Russian democrats to adopt a harder line in their relations with the rest of the world.

LATEST OPINION POLL

	% of decided voters*	% of all respondents
Russia's Choice	22.3	14.8
Liberal Democrats	14.0	9.3
Yabloko	13.6	9.0
Democratic party	7.8	5.2
Communists	7.7	5.1
Party of Unity and Accord	5.6	3.7
Women of Russia	5.6	3.7
Democratic Reform	5.4	3.6

Based on interviews with 1,200 people in cities conducted by the All-Russian Centre for Public Opinion Research.

*Excludes respondents who say they are undecided or intend not to vote.



Russian soldiers carry a ballot box, still bearing the Soviet symbol, into a polling station yesterday at an army base outside Moscow Reuter

EU fêtes democracy incarnate

By Lionel Barber in Brussels

European leaders yesterday fêted President Boris Yeltsin as the incarnation of a new Russia moving toward democracy and market reform.

At a ceremony at the European Commissionm, Mr Jean Luc Dehaene, Belgian prime minister, and Mr Jacques Delors, president of the European Commission, joined Mr Yeltsin in signing a political declaration promising greater economic and political co-operation which both sides described as historic.

Mr Yeltsin said the declaration marked a further milestone ending the Cold War. "Another Berlin Wall has fallen," he said.

But the declaration fell short of Mr Yeltsin's hopes of signing a comprehensive trade pact because of outstanding EU objections to Russian legislation restricting the operation of western banks, and internal disputes over the treatment of Russian nuclear-processed fuels.

Commission officials predicted that final agreement would likely be reached in the next few days. The visiting Russian delegation had promised to scrap the restrictions on private banks within 12 months, one senior official said.

Mr Yeltsin's visit, on the eve of Russia's parliamentary elections on Sunday, is believed to be the first by a Russian leader to Belgium since Peter the Great.

Nato gets Yeltsin's guarded blessing

By David White in Brussels

President Boris Yeltsin yesterday welcomed the idea of military co-operation with Nato – but not the prospect of eventual Nato enlargement to include some of Russia's former allies such as Poland, Hungary and the Czech republic.

This position, reflecting hardline opposition among the Russian military to any eastwards expansion of Nato, emerged during talks with Mr Manfred Wörner, Nato secretary-general, at the neutral location of the Stuyvenbergh château in Brussels.

A Nato summit next month is due to open the way towards the admission of new members from central Europe while proposing a more immediate "partnership for peace", which would apply to a wider group of countries including Russia and other former Soviet republics.

Mr Wörner said after the meeting that there was "a chance" of Russia participating in the scheme, and he had agreed with Mr Yeltsin to increase military contacts between Russia and Nato. The US plans to hold a first, small-scale joint exercise with Russia next year.

Mr Wörner said he had reassured Mr Yeltsin that any moves towards Nato enlargement would not be directed against Russia and would take into account the security interests of all concerned.

Nato defence ministers meeting in Brussels discussed US proposals to broaden the alliance's scope to deal with new threats from countries which developed nuclear, chemical and biological weapons and missile delivery systems.

Mr Les Aspin, US defence secretary, said current international efforts on non-proliferation "may not be enough".

He suggested that Nato might co-operate in research and development on means of counter-proliferation, intelligence and anti-missile defences.

Mr Wörner, who said European countries could not afford to develop such defences on their own, warned allies against further sharp reductions in their military budgets.

"If further major cuts are made, our ability to meet the challenges of the future will be seriously compromised," he said.

Mr Wörner's remarks followed additional cuts in UK defence expenditure announced 10 days ago.

Tatars resist Moscow's brand of democracy

Tatarstan adopted its own constitution a year ago and rejects Russia's attempts at centralised control, writes John Lloyd

ELECTIONS IN RUSSIA

The Republic of Tatarstan is at the centre of the debate within Russia on the form of its new constitution. The constitution, which will be voted on by referendum on Sunday, at the same time as the parliamentary elections, is of as much import as the parliament itself, and designed to last much longer.

Tatarstan – the historic home of the Tatars, who in the Middle Ages controlled much of European Russia – adopted its own constitution a little over a year ago. This proclaims the republic as "sovereign", deigning to say, once, that it is "associated" with Russia. Professor Vadim Tumanov, a senior member of the Institute of State and Law and one of the experts who helped to draw up the present draft Russian constitution, says that Tatarstan's constitution breaches international norms for a federal state in two important ways. First, by giving Tatars citizenship of Russia but refusing reciprocal citizenship to Russians, he said, and second, by accepting only those Russian laws which are approved by its own parliament.

A long period of sporadic negotiations followed the adoption of this essentially separatist document, but left the main constitutional problems untouched. Then came the banning of the Russian parliament in September, and the suppression of its revolt on October 3 and 4.

"Yeltsin could have turned to the regions and republics for support and agreement. Instead, he chose to issue a centralist constitution for a unitary state. The people about him call themselves democrats but their attitude to the regions reveals their true nature," says Mr Vassily Likhachev, the vice-president of Tatarstan, who was in Moscow recently. Tatarstan's president, Mr Mintimer Shamiyev, himself went to Moscow on November 3 to try to gain some constitutional compromises, but was rebuffed.

However, the Tatar authorities are cautious men, schooled in the politics of the Communist party – in which nearly all of them were leading figures – which emphasises above all the necessity to recognise power when they see it. Theirs is the route of sullen, not overt, opposition – certainly not that taken by the other extreme dissenter from Russian statehood, Chechnya, where President Dzhokar Dudayev has banned both elections and the referendum on his territory. Instead, Mr Shamiyev has said he will not vote: Mr Likhachev will be on holiday; and the mayor of Kazan, Mr Kamil Iskhakov – tipped to be the next Tatar prime minister – "doubts" he will vote.

Thus the election preparations take place in something of a vacuum. The authorities are keen to point out the apathy and lack of interest.

Among those standing in single-member constituencies or on party lists for the State Duma, or lower house, are those who have carried on the rather isolated business of opposing Tatarstan's drive to "sovereignty" over the past three years.

They work in a rather threatening atmosphere. Mr Dmitri Fomin, a candidate in the industrial centre of Naberezhnye Chelny, shows a leaflet.

It is put out by the "Special Headquarters against the Russian Referendum", which threatens "the fate of traitors and provocateurs" to all those – candidates, election officers and voters – who take part in the referendum.

The newspaper of the "Sovereignty" bloc of nationalist parties says that to take part in the elections "is a betrayal of the state interests of our fatherland".

President Shamiyev and his fellow leaders are convinced that the feeling of pride in and support for Tatarstan's sovereignty has increased, not lessened – though the republic's 4m population numbers only a few more Tatars than Russians, and inter-marriage is very common. Mr Iskhakov, the Kazan mayor, says that people rejoice in their citizenship because of the chaos and wild prices they see in Russia.

The leaders bridle when it is suggested that they are going slow on economic reform: Mr Shamiyev insists that "the steady way to reform has proven itself here, as shock therapy has been shown to fail in Russia". Privatisation is going ahead (though not yet of shops and small businesses): the republic's most precious property, the Tatneft oil corporation which produces some 22m tonnes of oil a year, is now being privatised – though a controlling golden share, will stay with the government.

"We say to all serious investors – come and talk to us, we will do a deal," says Mr Marat Almukhametev, a department head at the State Property Committee offices "But they must be serious. What's the point of selling off to speculators and crooks, like they are doing in Russia. Why repeat their mistakes?" The impression is of a leadership which may indeed avoid some of the more egregious mistakes of reform, but which is attempting to hold back the tide.

The turnout for the elections and the referendum probably will be low: it was little over 20 per cent for the referendum in April, when the country voted on trust in the Russian president. This will allow the republic's leadership to point to a large majority of abstentions from the Russian political process, which they will use to bolster their own power.

Romanians sign a new agreement with IMF

By Virginia Marsh in Bucharest

Romania yesterday signed a letter of intent for a new stand-by arrangement with the International Monetary Fund, signalling an end to months of uncertainty over the government's commitment to reform.

The IMF board is expected to approve loans worth $700m under its stand-by and systemic transformation facilities early next year if the Romanian parliament accepts the reform programme agreed yesterday with the Fund.

IMF officials said the principal aim of the programme was to curb inflation sharply and restore domestic confidence in the leu, the Romanian currency.

Inflation hit 314 per cent in the year to October, its highest level since the 1989 revolution. Economists have warned that, unless action is taken quickly, the country could slip into hyper-inflation.

Mr Maxwell Watson, the IMF's chief negotiator with Romania, said the programme's main structural objectives were enterprise restructuring, financial sector reforms and measures to protect competition. He said the IMF was still working with the left-wing minority government on improvements to the social security system and on fiscal measures to fund emergency heating and other supplements to help the most needy through the winter.

The agreement with the IMF comes at a critical time for the government. It is under increasing attack from pro-reform opposition parties seeking a no-confidence vote, and from trade unions which in recent weeks have organised the biggest street demonstrations since 1990.

Danes see rapid rate of growth

By Hilary Barnes in Copenhagen

Denmark will enjoy the fastest-growing economy in the European Union in both 1994 and 1995, according to forecasts published by the economy ministry yesterday.

The ministry predicts a gross domestic product growth rate of 3.0 per cent in 1994, rising to 3.3 per cent in 1995.

The stimulus will come mainly from private consumption, expected to rise in real terms by 4.1 per cent next year and 4.5 per cent in 1995.

This will generate a recovery in business investment and housing as well, the ministry predicts.

Exports, which fell by about 5 per cent this year following devaluations by Sweden and the UK, will also revive, increasing by about 2.7 per cent next year and by 4.8 per cent in 1995.

EIB finance for Polish railways

By Anthony Robinson

The European Investment Bank (EIB) has agreed an Ecu200m ($228m) loan to finance modernisation of Poland's 630km section of the Berlin-Warsaw railway line, the main east-west rail-link.

The EIB, the long-term finance institution of the European Union, is also providing an Ecu50m loan to the Polish Development Bank for the financing of smaller industrial projects in Poland.

The loan to the Polish state railways, PKP, will partially finance an Ecu487m modernisation plan to upgrade and relay track, improve stations and install new fibre optic signals, telecommunication and power systems. The European Bank for Reconstruction and Development is also expected to help fund the project which will upgrade the main passenger and freight link between the European Union and the Polish capital when completed by 1997. The latest loans bring total EIB lending to Poland upto Ecu553m.

Poland is seeking further funds for its planned development of a 2,000km north-south and east-west motorway network. This will form a key link in the projected north-south motorway link from the Baltic states to the Mediterranean and a similar east-west link from Berlin to the Belarus and Ukrainian frontiers.

Poland's reliance on finance from the international financial institutions like the EIB and the World Bank is greater than other central European states which still have access to commercial credits.

But Poland's debt negotiators resumed talks with commercial bank creditors this week to seek an end to the impasse over the country's demand for a 50 per cent reduction in its $13bn commercial debt. An agreement would open the way for both commercial bank and equity finance.

Wholesale prices stay steady in US

By Michael Prowse in Washington

US wholesale prices were flat last month, indicating that inflationary pressures remain subdued, the Labour Department said yesterday.

The figures left Wall Street analysts uncertain about the outlook for short-term interest rates, currently 3 per cent.

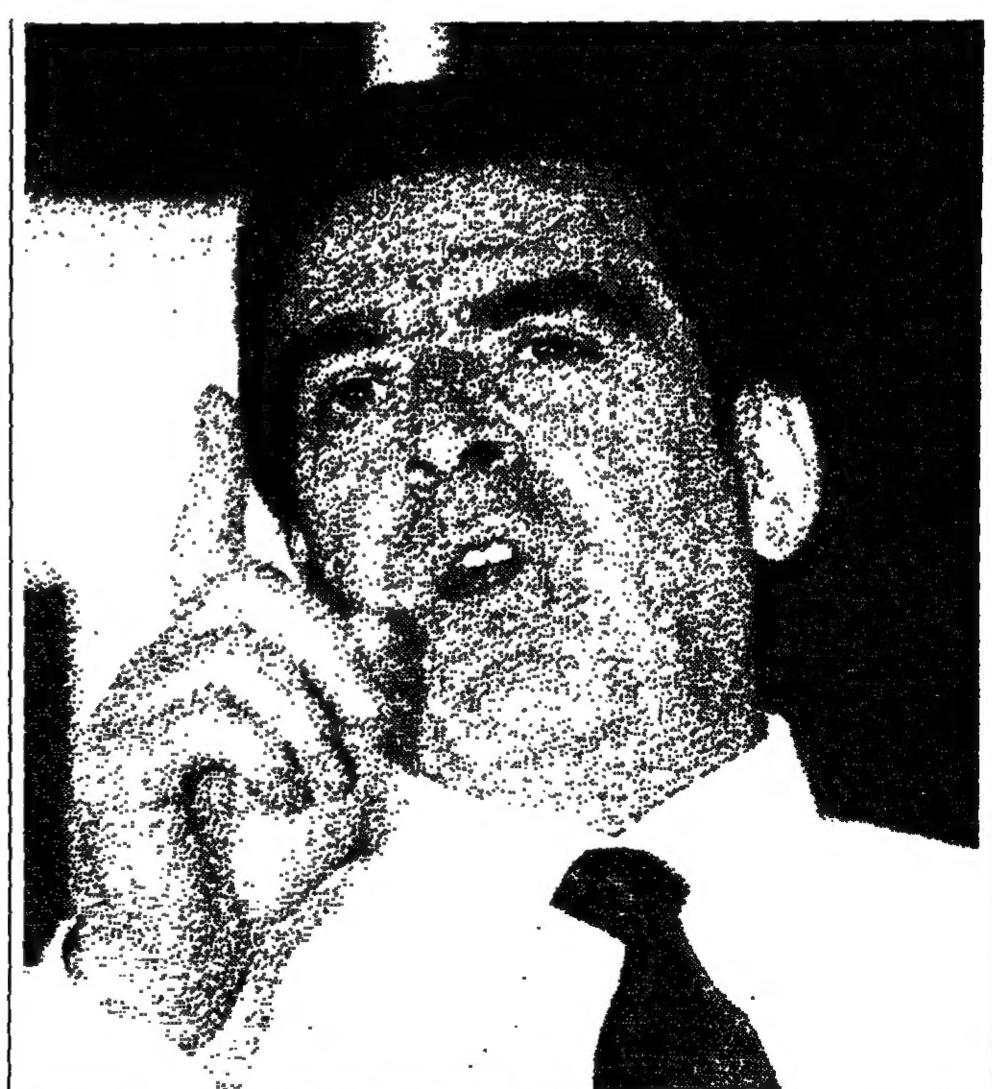
Following ambiguous remarks by senior monetary officials, some analysts predict the Federal Reserve will respond to evidence of faster growth by nudging rates higher early next year. Others believe inflation is so subdued the Fed will delay action for many months.

"The inflation outlook remains benign," said Mr David Resler, chief economist at Nomura Securities in New York. There was a 50 per cent chance the Fed would tighten policy next month – the decision would depend on the strength of economic data in coming weeks.

The producer price index for finished goods was unchanged last month after a decline of 0.2 per cent in October. The lack of upward price pressure partly reflected the recent decline in world oil prices which led to a 2.7 per cent decline in US energy costs.

The "core" producer price index, which excludes the volatile components of food and energy, rose 0.4 per cent last month, more than expected in financial markets. However, this reflected a 2.1 per cent increase in car prices last month, which is not expected to recur in coming months.

It was the first rise in the core index since July and followed a 0.5 per cent decline in October.



Eduardo Frei addressing a rally at the end of his presidential campaign Associated Press

CHILE LIKELY TO MAKE FREI PRESIDENT

Candidates yesterday wrapped up their campaigns for presidential and congressional elections to complete Chile's transition to democracy begun when General Augusto Pinochet stepped down as president in 1990, Reuter reports from Santiago.

From midnight Wednesday, Chilean law forbids candidates to hold rallies, stick up posters or advertise so voters have time for reflection.

But polls left little doubt as to the outcome of tomorrow's election.

Mr Eduardo Frei, the ruling coalition candidate, was favoured to win the presidency with three to four times the vote of his right-wing rival, Mr Arturo Alessandri, in Chile's first truly democratic elections in 23 years.

Analysts also expected a majority in Congress for the centre-left coalition forged by President Patricio Aylwin to defeat Gen Pinochet in a 1988 plebiscite and which Aylwin again led in 1989 elections to restore civilian rule.

But they say complicated voting rules make it almost impossible for the coalition to win the two-thirds of the congressional seats it needs to rid Chile of the last traces of authoritarian rule imposed by Gen Pinochet in a 1980 constitution.

But eight right-wing senators appointed under Pinochet to serve until 1997 make it almost impossible for the coalition to win the required majority in the Senate.

Argentine rivals near to deal

By John Barham in Buenos Aires

Celebrations marking the 10th anniversary of Argentina's return to democratic rule today are being overshadowed by the conclusion of negotiations between the ruling Peronist party and the opposition Radicals to change the country's 140-year-old constitution.

Ten years ago today, Mr Raul Alfonsin was sworn in as Argentina's 32nd president this century, ending seven years of military rule. This is the longest period of democratic rule Argentina has seen since the early 1930s. It has suffered six military coups since 1930 and endured 13 military presidents.

President Carlos Menem, whose six-year mandate ends in 1995, wants to stand for re-election. This requires lifting a constitutional ban on consecutive presidential terms. To do so, he needs the support of Mr Alfonsin's Radical party.

Mr Menem and Mr Alfonsin are now reported to have overcome a dispute about the powers of a prime ministerial figure being introduced with the new constitution.

Mr Menem had demanded the prime minister should not encroach on the president's authority. The two sides are close to agreement on a reduction of the prime minister's powers and new rules for presidential elections.

The government wants to send the amendments next week to Congress, which must approve changes to the constitution with a two-thirds majority. Mr Menem is in a hurry because Argentina virtually closes down between December and March for the southern hemisphere summer.

HK impasse deepens as talks slow

By Alexander Nicoll in London and Tony Walker in Beijing

The Sino-British impasse over Hong Kong deepened yesterday as the two sides failed to make significant progress in London talks and China stepped up its own preparations for assuming sovereignty over the territory in 1997.

British and Chinese officials blamed each other for slow progress in the Joint Liaison Group, the body charged with arranging practical issues of the handover, which ended three days of talks in London without setting a date for the next meeting.

Mr Hugh Davies, the senior UK official, said the meeting had been "disappointing" and that the current pace of the JLG was "woefully inadequate" if it was to complete its crowded agenda before 1997.

Mr Guo Fengmin, leader of the Chinese side on the JLG, made it clear separately that the slowness was a result of Britain and China's failure to advance talks on political issues, responsibility for which he laid squarely on Britain.

Britain, Mr Guo said, had undermined previous agreements on Hong Kong and "the discussions of the JLG are bound to be affected".

Mr Davies said the Chinese view that the political situation affected the JLG "was felt throughout the agenda. It is difficult to avoid the conclusion that a link is being made between politics and economics," he said.

Limited progress had been made on issues such as civil aviation, merchant shipping, investment and the civil service, but items "ripe for agreement", such as a proposed new container terminal, were being delayed by the Chinese.

In Beijing Mr Qian Qichen, China's foreign minister, urged a special advisory committee on Hong Kong to step up preparations for 1997. "We must put greater efforts into our work, and the responsibility borne by each member is even heavier," said Mr Qian, the panel's chairman.

Sino-British talks on Hong Kong's political development are deadlocked and Mr Chris Patten, Hong Kong's governor, plans next week to proceed with parts of his reform proposals without Beijing's agreement. China says it will abandon negotiations should Mr Patten do so.

UK officials and Hong Kong business representatives fear the China-sponsored "Preparatory Work Committee" of 57 leading Chinese and Hong Kong officials will undermine Mr Patten's authority.

Mr Wu Jianmin, China's foreign ministry spokesman, left the door open for further talks provided Mr Patten deferred his reforms. "To resume them, the UK side should change course and correct its errors which have led to the breakdown of the talks."

Mr Patten showed irritation yesterday at persistent Chinese claims of insincerity. "I think what the word 'sincerity' means to some Chinese officials is: 'Everybody else in the world must agree with us, otherwise they're not being sincere'," Mr Patten said.

● Louise Lucas adds from Hong Kong: Mrs Anson Chan, Hong Kong's new chief secretary who ranks second to Mr Patten, yesterday hit out at accusations by Sir Percy Cradock, a former UK foreign policy adviser, that Mr Patten would do "great damage to the territory" by extending democracy. Mrs Chan said: "The days of back-door deals over the heads of Hong Kong people are over. For the agreement to be acceptable and credible in Hong Kong, it must enable fair, open elections."

PLO chairman Yassir Arafat takes his coat off while standing alongside Israel's foreign minister Shimon Peres (right), at a ceremony when they both received the keys of the city of Granada, Spain. They later spent 75 minutes in talks behind closed doors Associated Press

US tempts Syria in peace bid

By Julian Ozanne in Jerusalem

A summit between US President Bill Clinton and Syria's President Hafez al-Assad next month, followed by resumption of Syrian-Lebanese peace talks with Israel in Washington, marks an important fresh effort to keep a comprehensive Middle East peace agreement in sight.

The moves, announced yesterday by Mr Warren Christopher, US secretary of state, show that Washington is prepared to use its muscle and the promise of improved US-Syrian relations to push forward a comprehensive peace agreement.

The breakthrough points up the importance Damascus attaches to better ties with the US, and the linkage it makes between improved Syrian-US relations and advances in the peace process as Syria seeks to end its international isolation and reform its economy.

So far, there seems no clear compromise between Israel and Syria on the fundamental obstacles to an agreement.

Syria continues to insist Israel must declare its intention to withdraw fully from the Golan Heights, captured in the 1967 six-day war. Israel wants Syria to state clearly its commitment to full peace, including trade and diplomatic ties before it will clarify the extent of its withdrawal.

Jerusalem has said it will withdraw "on" but not "from" the Golan, suggesting only a partial return of Syrian land.

Despite the apparent impasse, Israeli officials believe the latest US initiative provides grounds for cautious optimism because it holds out a tempting prize for Damascus.

The US placed Syria on the terrorism blacklist when it was introduced in 1979, prohibiting US companies from exporting goods which could enhance Syria's military or terrorism potential. The move also obliged the US to vote against any development loans offered to Syria by multilateral organisations.

Syria was briefly taken off the list by President Ronald Reagan in 1985 but sanctions were re-imposed after an attempted bombing of an El Al aircraft in 1986 was blamed on Syria, and the US withdrew its ambassador to Damascus.

Syrian experts say Mr Assad is anxious to have Syria taken off the blacklist to boost his international standing and aid the economic reform he is overseeing. Liberalisation of the economy contributed to a 7 per cent growth rate last year but future growth will depend on much greater investment.

Earlier, Mr Christopher announced Syria had made two important humanitarian gestures to Israel, in an effort to restore confidence between the two sides. Syria agreed to help a US delegation which is searching for seven Israeli servicemen missing in Lebanon and to grant exit permits to up to 1,200 Syrian Jews to travel freely before the end of this year.

Both moves were enthusiastically welcomed in Israel. But the Syrian reasons behind the measures appear to have more to do with its desire to improve relations with Washington than to make concessions to Israel.

As part of the package Mr Christopher said the US would allow Kuwait to donate three ageing US-built Boeing 727 aircraft to Syria. But Washington stressed the US was not relaxing sanctions against Syria.

Mr Farouk al-Shara, Syrian foreign minister, said a number of other undisclosed steps would be taken before talks with Israel resumed. Mr Christopher yesterday declined to give details of what other guarantees he had given Mr Assad to entice Syria back to talks.

Israeli officials have hinted the US has an outline package of concessions from Damascus and Jerusalem linked, on the Syrian side, to improved relations with Washington and aimed at thrashing out an agreement in principle by next April or May.

NEWS IN BRIEF

Heath secures release of Britons held in Iraq

Sir Edward Heath, the former British prime minister, has secured the release today of three British prisoners held in Iraq, after a rare meeting yesterday with President Saddam Hussein in Baghdad, writes James Whittington in Amman.

Mr Michael Wainwright, 42, and Mr Paul Ride, 33, were jailed last year for 10 and seven years respectively on charges of entering Iraq illegally. Mr Simon Dunn, 23, was arrested in June and sentenced for eight years for the same offence. They are due to fly with Sir Edward by helicopter today to the Jordanian capital, Amman, where they will be reunited with their families before travelling on to the UK.

Iraq has until now linked the prisoners' release with Britain's unfreezing of Iraqi assets in the UK. But British diplomats in Amman emphasised that "no deal had been done".

One described the move as a gesture by Saddam in the hope that United Nations sanctions would soon be lifted.

In the past two months six other foreigners , including the three Britons, have been released from Iraqi jails. A Frenchman and a German remain imprisoned in Baghdad.

Bédie opponent resigns

Ivory Coast's new president Henri Konan Bédie strengthened his hold on power yesterday with the resignation of his rival, Mr Alassane Ouattara, as prime minister, Reuter reports from Abidjan.

Mr Bédie succeeded President Félix Houphouët-Boigny, who died on Monday. Mr Bédie named an eight-member personal cabinet led by Mr Yao Kouassi as secretary-general of the presidency. He previously served as deputy secretary-general of Mr Ouattara's government.

Labour speaker for NZ

New Zealand's opposition Labour party has aided the National government's slim parliamentary majority by allowing one of its members to be nominated as speaker, writes Terry Hall in Wellington.

Mr Peter Tapsell, an orthopaedic surgeon, will be the first Maori and first representative of an opposition party to be speaker. The appointment will make it easier for National to govern. With 50 MPs in Parliament, against the 49 from the three opposition parties, National would have faced deadlock on much legislation with a speaker chosen from its own ranks.

Taiwan cuts GNP target

Taiwan's cabinet yesterday cut its gross national product growth target in 1994 to 6.2 per cent from the original 7 per cent, citing a weak global economy and cuts in state spending, Reuter reports from Taipei.

GNP is rising 6 per cent in 1993, the Council for Economic Planning and Development said.

● Taiwan yesterday lifted a four-decade-old ban on new radio stations as part of democratic reforms, Reuter reports.

It approved 13 applications, including one from the main opposition Democratic Progressive party.

The cabinet's Government Information Office would offer 28 more FM radio frequencies this month and eight AM radio frequencies next March, said Mr Hank Lo, its director of radio and television affairs.

Singapore case can proceed

By Kieran Cooke in Kuala Lumpur

The judge in the Singapore trial of five people accused of breaking the island republic's Official Secrets Act by prematurely disclosing an official economic growth estimate has rejected defence calls for acquittal and has ruled that the prosecution case can proceed.

Three economists and two journalists are charged with leaking an official 1992 second-quarter economic growth estimate of 4.6 per cent.

Last week the judge ruled that the prosecution had failed to make a case against Mr Tharman Shanmugaratnam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's de facto central bank, on the charge of communicating secrets.

But the judge then suggested to the prosecution, which is led by Singapore's attorney-general, that Mr Shanmugaratnam face a new charge of putting classified information at risk.

The prosecution has alleged that the growth figure was leaked to two economists working for a regional securities firm during a meeting they had with Mr Shanmugaratnam at the MAS. The economists then passed the figure on to a journalist with the local Business Times, whose editor published it.

The case has been adjourned until February. All five defendants have pleaded not guilty.

N Korea plans to initiate reforms

By John Burton in Seoul

North Korea faces serious economic problems, it admitted yesterday, and indicated it plans to adopt reforms.

The unprecedented communiqué was issued as the country's parliament began a two-day session to announce important changes in the country's political leadership and economic administration.

Pyongyang said its third seven-year (1987-93) plan had failed to achieve its industrial production goals, especially in electric power, steel and chemical fibre.

"The pace of growth and economic scale envisaged under the third seven-year plan must be adjusted downward," a report to the ruling Korean Workers' Party said.

But it claimed industrial output during the period increased 1.5 times, growing annually at an average 5.6 per cent. The plan had established an industrial production goal of 10 per cent annual growth.

The South Korean central bank estimates the North's economic growth was stagnant during the late 1980s before shrinking at an annual 5 per cent during the past three years, primarily due to energy shortages.

Pyongyang blamed the poor economic performance on the collapse of the Soviet Union and east European communist countries, which deprived it of economic assistance, such as oil supplies, and trade. In what is regarded as a key shift in economic policy, the government will concentrate on developing agriculture, light industry and foreign trade at the expense of heavy industry.

"The economy must be restructured in a way that...develo[illegible] foreign economic relat[illegible] the economy can [illegible] the changing internat[illegible] environment," the report stated. But the governing principle of juche, or self-relian[illegible] must [illegible] maintained.

"This policy could be in response to Chinese pressure forcing North Korea to adopt reforms or face the prospect of having China end its economic support of the North," one western diplomat said. China, the North's main outside source of food and fuel, has been urging Pyongyang to adopt market reforms similar to its own.

SA police ordered into KwaZulu

South Africa's two-day-old Transitional Executive Council (TEC) tested the limits of new black political power yesterday, with far-reaching orders to the police and the KwaZulu black homeland, Reuter reports from Cape Town.

The multi-party TEC, the country's first statutory body to give executive powers to blacks, adopted proposals initiated by Mr Nelson Mandela's African National Congress and the South African Communist Party.

One resolution instructed police to move into northern Natal, including parts of Zulu Chief Mangosuthu Buthelezi's largely autonomous KwaZulu homeland, to deal with the unrest there. "The KwaZulu police have been standing by, doing nothing when people are being killed and injured," Mr Cyril Ramaphosa, ANC delegate, said. "Units of the South African police should be deployed in the area. Some of these areas fall under KwaZulu."

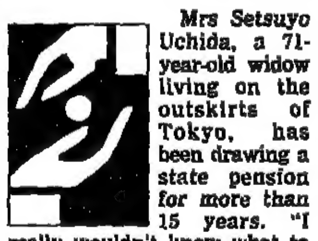
South Africa's white-led police have traditionally respected the nominal autonomy of Chief Buthelezi's local police. Chief Buthelezi has refused to join the TEC, vowing to defy its authority.

The TEC also appointed a delegation to talk to police about the activities of its controversial internal stability unit, the police branch which replaced the riot squad.

● The UN yesterday agreed to unrestricted resumption of shipments of oil and petroleum products to South Africa, ending a 16-year embargo widely observed but not mandatory, writes Michael Littlejohns in New York.

Japan faces up to getting old

Emiko Terazono on planned changes to the pension system



Mrs Setsuyo Uchida, a 71-year-old widow living on the outskirts of Tokyo, has been drawing a state pension for more than 15 years. "I really wouldn't know what to do without it," she says.

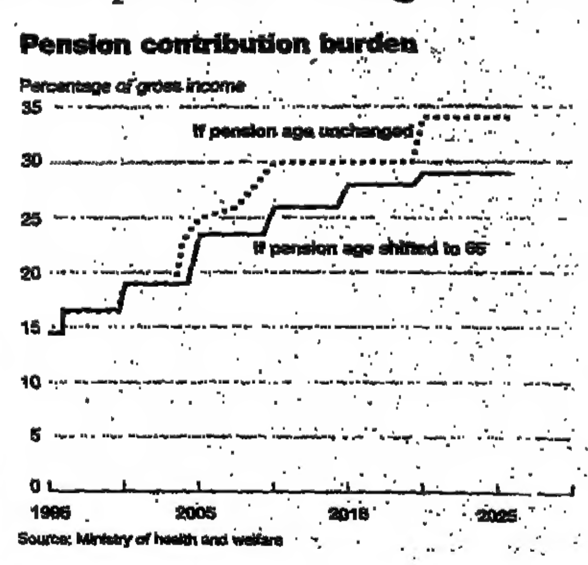
Mrs Uchida is one of 27m Japanese pensioners on the state system, which provides citizens over the age of 60 with pensions worth 70 per cent of average employees' salaries.

It is a tidy and generous system, but it is in for a change. Japan's is a rapidly ageing society, expected to have the highest percentage of people over 65 among industrialised nations by the turn of the century. Now the ministry of health and welfare wants to raise the pension eligibility age to 65 to decrease the contribution burden on workers supporting the system.

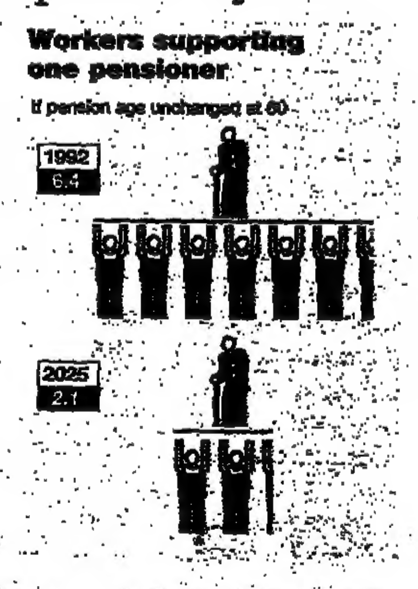
At the moment, by paying 14 per cent of their gross salaries, 6.5 workers support one pensioner. By 2020 some 2.2 workers will be supporting one pensioner with more than 30 per cent of gross salary. If however the retirement age is changed to 65 some 2.6 workers will pay 26 per cent of their salaries to support one pensioner.

The proposal has been met by fierce opposition from the influential trade union confederation Rengo. Mr Yoshio Tsuchida, director of Rengo's welfare policy planning department, points out that Japanese companies have just grown accustomed to the retirement [illegible] being raised to 60.

[illegible]ough the goal of 60 as a standard retirement age is still not accepted by all companies, progress has been made over the past decade as the government has promoted a later retirement age through subsidies to companies that retain or re-hire older workers.



Source: Ministry of health and welfare



However, Japan's seniority-based employment system puts a large cost burden on companies retaining older employees, and although the government claims by re-hiring elderly workers companies can counter the expected labour shortage, job offers for workers over 55 remain at low levels.

"What are people supposed to do between the ages of 60 and 64 if the pension eligibility rate is raised to 65?" asks Mr Tsuchida.

The government, which reviews its state system and resets its premium rates every four years, needs to reach a decision by April next year, as it cannot afford to postpone the matter until the next review [illegible] when Japan's baby-boomers reach 60.

Although the pension council, an advisory group to the government made up of union leaders, bureaucrats, and representatives from the business community, failed to agree on a single reform blueprint, a recent report from the council suggests that a compromise deal is in sight.

On one hand, the ministry is easing its rigid stance on the shift in eligibility age by proposing a reduced benefit system for pensioners between the ages 60 and 64 instead of no benefits until 65. The ministry admits it is aware that some sort of compensation needs to be made for that age group since at the moment two-thirds of pensioners start receiving their pensions between the ages of 60 and 64.

Meanwhile Rengo has agreed that workers' twice-yearly bonus payments should not be exempt from pension contributions. It has also accepted a change in the way pension increases are calculated. At the moment these are based on increases in average gross salaries.

However, by basing the increases in pension payments on the average growth of net income – gross income minus taxes and social security contributions – pensioners will also "share" the burden of increases of workers' welfare contributions and the government can avoid the possibility of workers taking home less net cash than pensioners.

Professor Noriyuki Takayama of Hitotsubashi University's Institute of Economic Research in Tokyo says basing pension growth on net salaries will ease the burden on the workers who support the system by 10 per cent and is more effective than altering the pension age. He says that the government has become enthusiastic over the plan after Germany implemented a similar scheme as a part of its pension system reform in 1992.

Over the next few months, Rengo and the government will need to work out what the levels of partial pension payments for pensioners aged 60 to 64 will be. Prof Takayama says the government should set up a special fund which companies would also be required to pay into. He suggests that an incentive system should be set up where the payments into the special fund would decline as the company takes on more elderly workers.

This is the eighth article on welfare states around the world. Previous articles appeared on October 25, November 3, 8, 17, 19, 24, 30

Line-by-line bargaining has meant accord will at first involve just 15-20 countries, writes **David Dodwell**

US insistence on detail points to two-stage Gatt deal

Mention "the formula approach" to almost any trade negotiator, and there will be a wince: it contrasts with the "request and offer approach". In the arcane world of Uruguay Round aficionados, the victory of the latter over the former has been, if not the source of all evil, at least the bane of many of their lives during the past three years.

European Union negotiators in the General Agreement on Tariffs and Trade still today blame the refusal by the US to accept a formula approach as the reason so many thousands of hours have been spent arguing line-by-line tariff cuts with each separate trading partner as they have worked towards completion of a market access agreement in Geneva.

Under the formula approach, supported by most trading nations but blocked by the US in January 1990, once negotiators had agreed a formula for cutting tariffs, then calculation of the product-by-product cuts would have been a quick and simple affair. As has been seen in the protracted US-EU market access negotiations, the request and offer approach to dealing with cuts product by product, country by country, has added many person-years to the process of concluding the round.

It explains why the EU said yesterday it had abandoned hope of reaching line-by-line tariff cutting deals by the December 15 deadline with all 116 countries negotiating the round. Instead, it hopes to finalise deals with 15-20 countries which account for about 90 per cent of global trade.

They insist the delay will not jeopardise the round. Other countries will agree in principle to finalise line-by-line schedules as soon as practicable in the new year. But it has added to the frenetic pressures mounting on negotiators in the few days remaining before December 15.

As details of the US-EU deal begin to surface, it is possible to understand why the US – adamant about the need to preserve peak tariffs (higher than 15 per cent) in sensitive sectors and to tailor each deal to the idiosyncratic details of trade with each trading partner – would not swallow the sweeping formula approach.

Take the non-ferrous metals sector. Under the US-EU deal, tariffs on most copper, tin and nickel goods fall to zero. Tariffs on zinc and most other non-ferrous metals will fall below 5 per cent. Tariffs on aluminium goods will range from 6.5 per cent to 7.5 per cent. All will be conditional on other key importers making similar commitments. Japan's agreement is key.

Many of the tariff cuts revealed sweepingly by Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, his EU counterpart, are in fact conditional, and pitted with exceptions. The true global value of tariff cuts will only be calculable when the offers of all 116 participants are in the bank. So far, the following details of the US-EU deal are clear:

- Elimination of tariffs: in addition to the eight product sectors conditionally agreed in Tokyo at the Group of Seven summit in July – listing pharmaceuticals, construction equipment, medical equipment, steel, beer, furniture, farm equipment and spirits – the US and the EU have agreed zero tariffs for wood and paper products and toys. The phase-out for these last three will be over 10 years, rather than the six years targetted elsewhere. Tariffs on some fish products have been cut to zero. Tuna is excluded.

However, the deal on wood products depends on Indonesia and Malaysia dropping their current bans on the export of raw logs. As a result, tropical hardwoods may be left out until agreement is reached with these leading timber exporters.

- Low-level harmonisation: tariffs on chemical products are to be harmonised at around 3 per cent following agreement outside Gatt by the world's leading chemical companies.
- Significant tariff cuts: tariffs on scientific equipment are to be cut by an average of 50 per cent. Tariffs on industrial electronics will also be cut by 50 per cent or more. The trade-weighted average of tariffs on semi-conductors will fall to 8 per cent from 14 per cent, while tariffs on semi-conductor manufacturing equipment will be cut to zero. Computer peripherals will have tariffs eliminated, while tariffs on computer parts will be cut from around 4 per cent to 2 per cent.

Consumer electronics – of critical importance to Japan, and south-east Asian exporters – were not addressed. They will be looked at in bilateral negotiations with these countries.

- The attack on tariff peaks: cuts in the textiles and clothing sector will need line-by-line examination. The US-EU deal cuts US tariffs on sensitive items such as wool suits to around 17 per cent, with other wool items down to about 25 per cent. In deference to Europe's cotton textile manufacturers, mainly in Greece and Portugal, modest cuts have been agreed which ignore dogmatic concentration on tariff peaks but instead focus on items of significant export interest to these countries.

The high tariffs protecting US glass and ceramics manufacturers will not be lopped across the board, but will reach 25-50 per cent "on a few items".

- Farm trade: while the modifications to the US-EU Blair House text have become clear, details of improved access to the EU food market are more elusive. Mr Mike Espy, US agriculture secretary, says the EU tariff cuts and new quota entitlements cover wheat and other cereals, meat, dairy products and speciality crops such as nuts, processed foods, fruits and vegetables. The US pig meat quota in the EU will rise by 39,000 tonnes.

It is clear that other farm produce exporters will benefit from restraint on subsidised US and EU food exports, but what they might gain in terms of bigger EU import quotas, or improved market access opportunities, remains obscure.

- Services: the scope and balance of offers to open markets to financial services remains unclear. A financial services deal remains contested. A conciliatory US move to open its ocean shipping sector appears to have been withdrawn. The US and the EU remain at loggerheads on access to Europe's film and television markets. There is still a danger a services deal could crumble.

'E Europe in trouble if Uruguay Round fails'

By Frances Williams in Geneva

Economic reform in central and eastern Europe would be seriously undermined by a failure of the Uruguay Round of trade talks and the consequent erosion of international fair trade rules, the United Nations Economic Commission for Europe says in a report published today.

The commission sees the main benefits for eastern Europe of a Uruguay Round deal in strengthened rules against protectionist measures by the West, although the regions has much to gain from liberalisation of the agricultural and textile sectors in particular.

"These countries need secure market access and a stable and comprehensive international framework of rules to sustain their reform programmes," the report says. It warns that they will be among the principal victims of arbitrary and discriminatory trade protection if the Uruguay Round fails.

Non-tariff barriers, such as "voluntary" export restraints and anti-dumping suits, have increasingly been aimed at the reforming economies, the ECE notes. Recent restrictions imposed on certain "sensitive" products have lessened the benefits of trade accords signed by several eastern European countries with the European Union.

The proposed Uruguay Round accord would outlaw voluntary export restraints and other "grey area" measures to restrict trade outside fair trade rules, and toughen conditions for resort to safeguards (emergency import protection) and anti-dumping actions.

Protectionist measures by western Europe appear "especially petty and ungenerous" given the fact that western exporters have gained most from the liberalisation of east-west trade, the report says.

Between 1989 and 1992 east European exports to OECD countries rose in value by 43 per cent, but eastern imports from the OECD soared by 87 per cent and the OECD trade balance with the east swung from a small deficit into a sizeable surplus.

Though east European exports to the west fell by some 14 per cent in the first half of 1993, imports from the west, mainly from western Europe, continued to rise by 11 per cent.

The commission cites estimates of a global welfare gain of $212bn (£142bn) a year from a Uruguay Round deal, equivalent to 1.1 per cent of world GDP. Of this, freer farm trade accounts for 34 per cent, liberalisation of textiles and clothing trade 40 per cent and increased market access for services 14 per cent.

Former centrally planned economies (which include China as well as eastern Europe and the former Soviet Union) are among the biggest beneficiaries of freer trade in textiles and, more surprisingly, in services, mainly reflecting an opening of their protected (and underdeveloped) domestic markets.

In the short term, the commission takes a sombre view of economic prospects for eastern and central Europe.

Only a few countries – Poland, Hungary, the Czech Republic and Slovenia – hope for growth in 1994 and these forecasts are heavily dependent on higher exports which may not materialise.

On average, GDP in eastern Europe fell 28 per cent between 1989 and the first half of 1993, while output (excluding services) plunged by over 40 per cent in the Commonwealth of Independent States and even more in the Baltic nations.

The commission calls on western governments to increase aid flows, offer free and secure access to western markets for eastern goods and services, and develop a more consistent and coherent approach to the region's problems. Economic failure in eastern Europe would threaten political stability throughout the continent, the report warns.

Economic Bulletin for Europe, November 1993. Available from January 1994 from the Publication Service, Palais des Nations, CH-1211 Geneva 10, Office C115-1; telephone 41 22 917 2612.

President apologises for rice decision

By John Burton in Seoul

President Kim Young-sam yesterday apologised to the South Korean people for breaking a presidential campaign promise to protect rice farmers from imports and announced that the country had to open the market to avoid economic isolation.

"Are we to live as an orphan by rejecting the Gatt system, or lead our country toward globalisation and internationalisation by accepting the Gatt framework?" he asked.

The government would draw up measures to compensate farmers for losses they would suffer as a result of the opening of the agricultural market, he said.

South Korea is now negotiating in Geneva on terms governing the gradual opening of the market for rice and 14 other agricultural products as part of the Uruguay Round of trade talks.

The rice issue has developed into a political crisis for the government, with farmers and students holding sometimes violent demonstrations in Seoul and other parts of the country this week to protest against the market-opening decision.

One opinion poll yesterday reported that 60 per cent of Koreans were opposed to the opening of the rice market, while political analysts fault the president for having done little to prepare the public for the change in government policy.

Criticism of the government's handling of the problem is likely to lead to a reshuffle of economic ministers and presidential advisers in the next few weeks.

- Japan's ruling coalition decided to delay until tomorrow or even later a decision on whether to remove a blanket ban on rice imports, the Kyodo news agency reported yesterday, Reuter adds from Tokyo.

The postponement came after a meeting of the leaders of parties in the fragile coalition, Kyodo said.

Earlier this week, Mr Morihiro Hosokawa, the prime minister, had said he wanted to announce the formal decision by today to accept a Gatt compromise proposal to allow minimun imports of rice for six years in exchange for the scrapping of a Gatt demand to replace the blanket ban with tariffs.

Kim Young-sam: South Korea must avoid economic isolation Associated Press

MFA extended for further year

By Frances Williams

The Multi-Fibre Arrangement, which restricts most Third World exports of textiles and clothing to the industrialised nations, is to be extended for a further year to the end of 1994.

The extension, agreed by the MFA's 44 members yesterday, was made necessary by the repeated delay in concluding the Uruguay Round of global trade talks. If the round is successfully completed by the deadline of next Wednesday, the MFA will be phased out over a 10-year period from 1995.

Mr Peter Sutherland, Gatt director-general, said the latest extension, the sixth since 1974, was "the final lease of life for the MFA". Members of the MFA, which legitimises a web of bilateral quota deals between rich and poor nations, accounted for $136bn or 80 per cent of world textile and clothing exports in 1990.

Representatives of Europe's textile and clothing industry were also in Geneva yesterday to raise concerns over the terms under which the MFA will be dismantled.

The proposed Uruguay Round deal was "far from offering the necessary guarantees of fair and balanced competition", the Brussels-based European Textile and Clothing Coalition said in a statement, arguing that the EU was one of the most open markets in the world.

The coalition said the US offer to lower very high tariffs on clothing was inadequate and criticised the refusal of some developing country exporters such as India and Thailand to open their domestic markets to imports.

The European industry said it would continue to press for a Uruguay Round package incorporating lower tariff and non-tariff barriers worldwide, and tougher action against unfair trading practices in developing countries including counterfeiting, dumping and subsidies.

Canadian fears of impact on Quebec

By Bernard Simon in Toronto

Canada is scrambling to blunt the political impact of the Uruguay Round trade talks on the separatist debate in Quebec.

Officials confirmed yesterday that Ottawa was pressing its trading partners for a clause in the proposed multilateral trade agreement which would allow Canadian provinces to continue providing regional development subsidies.

In addition, Mr Jean Chrétien, the prime minister, dispatched his foreign minister and chief Quebec lieutenant Mr André Ouellet to Quebec yesterday to placate the province's dairy farmers, who have strenuously objected to the proposed replacement of import quotas by tariffs on dairy and other farm products.

The separatist Bloc Québécois, which won 54 seats in the House of Commons in October's election, has seized on the development grants and dairy quota issues as evidence that Québécois have more to lose than gain by remaining part of Canada.

The separatist forces are hoping to make further gains in a Quebec provincial election likely next year. They have promised to hold an independence referendum within a year if they win.

Under the Uruguay Round proposals, Quebec would be able to provide subsidies if it was an independent state, but not as a province of Canada.

The Canadians have recently acknowledged that they have little hope in the Uruguay Round of retaining the quotas which protect dairy, poultry and egg farmers.

The government is now reassuring farmers that tariffs which will replace the quotas will be high enough, at least initially, to blunt competition from imports. Farm groups however, are concerned that the tariffs will decline over time, and that the quotas will be worthless.

Institution aims to forge new links with ex-Comecon states

Black Sea bank for Thessalonika

By John Murray Brown in Istanbul

The Greek city of Thessalonika was yesterday chosen as the site of the newly established Black Sea Trade and Development Bank at a meeting of foreign ministers of the Black Sea Economic Co-operation group in Sofia, the Bulgarian capital.

The choice of Thessalonika, beating bids from Istanbul, Sofia, Bucharest and Costanza underscores the relative maturity of Greek financial insitititutions and also its membership of the European Union.

The agreement gives a symbolic boost to a pact set up in 1992, largely at Ankara's prompting, to reforge economic links in the wake of the communist collapse, between the region's market economies and the former Comecon countries.

The group comprises Turkey, Greece, Russia, Ukraine, Bulgaria, Romania, Moldova, Georgia, Azerbaijan and Armenia, and represents a market of 325m consumers from the Balkans to the Caucasus.

The bank will be capitalised at SDR1bn (£930m), with a paid up capital of SDR100m. The three bigget economies – Turkey, Greece and the Russian Federation – will each contribute 16.5 per cent, with smaller amounts from the others. The bank is also expected to seek funds from multilateral agencies such as the European Bank for Reconstruction and Development.

Turkey will provide the bank chairman, while the vice chairman will be a Bulgarian.

According to a draft of the resolution agreed yesterday, the bank will "promote regional projects and assist in intra-regional trade especially in capital goods".

A Greek official said Thessalonika, with 240 local banks and 10 foreign banks, was well placed to secure access to international finance. The Black Sea is currently considering various telecommunications projects, free ports, and a road corridor linking the littoral states.

NEWS IN BRIEF

Malaysia in $700m purchase of jets

Malaysia yesterday signed letters of acceptance with McDonnell Douglas to buy eight F/A-18 fighter jets in a deal Malaysia says is worth about M$1.8bn ($700m), writes Kieran Cooke in Kuala Lumpur.

The signing, during an international air show on the Malaysian island of Langkawi, is the last stage in protracted negotiations Malaysia has held with the US manufacturer.

Malaysia is involved in a multi-million-dollar programme to modernise its armed forces. Malaysia is also buying 18 Mig-29s from Russia for which payment will be made both in cash and in palm oil as part of a countertrade arrangement.

Among other deals announced at the air show was the sale by British Aerospace of its vertical-launch Sea Wolf surface-to-air missile system to the Malaysian navy. The missiles will be fitted to two frigates being built for the Malaysian navy at Yarrow Shipbuilding in Britain.

Australian telecoms deal

Telecom Australia, the country's largest purchaser of electronic equipment, said yesterday it had placed orders worth up to A$2.5bn ($1.63bn) with three European companies as part of a five-year programme to digitalise its network, Nikki Tait writes from Sydney.

The beneficiaries are Alcatel of France, Germany's Siemens and Ericsson of Sweden. The French group will provide equipment worth up to A$1.1bn, including local exchanges, access electronics, and a transit switching network.

The Ericsson contract is worth around A$850m, and will also be made up of digital switching equipment. Siemens will supply some A$500m in transmission equipment. Telecom added that it is still negotiating with NorTel, the Canadian-owned manufacturer, for the supply of corporate customer switching services.

Lens factory for Limerick

Vistakon, a subsidiary of Johnson & Johnson, the US healthcare corporation, is to spend I£130m over the next three years in creating a European manufacturing base at Limerick, in the west of Ireland, for its range of disposable contact lenses, Tim Coone reports from Dublin.

Mr Ruari Quinn, Ireland's minister for enterprise and employment, said this week the new plant was "among the top investments ever in the healthcare industry in this country".

ABB moves into Ukraine

Asea Brown Boveri, the Swiss-Swedish engineering group, is establishing its first significant joint venture in Ukraine, it said this week, Andrew Baxter writes.

ABB is taking 51 per cent of a new company, ABB Ukrelektroapparat, which will produce distribution transformers in Khmelnitzkij, south-east of Kiev. The remaining 49 per cent will be held by the Ukrainian company Ukrelektroapparat and the Ukrainian State Property Agency.

The new company will supply industrial companies and electricity utilities in Ukraine.

London moves to reassure Ulster unionists

By David Owen

A new strategy by the UK government to reassure Ulster unionists over the Major-Reynolds peace initiative for Northern Ireland emerged last night, amid signs that unionist unease in the province has spilled over into Tory ranks.

On the eve of the second meeting within a week between the British and Irish premiers, a scenario was revealed in which the government may decide to give the go-ahead for a Northern Ireland select committee within the next month.

It also emerged yesterday that a senior Northern Ireland Tory has delivered a strongly-worded warning that Mr Major may "destroy himself, the party and the union" by pursuing the peace initiative.

In a letter sent to 1,000 prominent Conservatives including the prime minister, Mr Leonard Fee, chairman of the party's Northern Ireland area council, said Mr Major could "destroy us all" by allowing himself to be enticed by "media-hype, Irish blarney" and "honeyed words."

Under current plans, clearance for the committee could be given as a gesture of reassurance to unionists if London succeeds in agreeing a joint declaration with Dublin aimed at persuading the IRA to give up its campaign of violence.

It is thought that a government undertaking to set up a body long sought by unionists would make them less likely to reject any text that emerges from the Major-Reynolds process.

Word of the strategy comes with London and Dublin voicing mounting confidence that a joint declaration can be agreed before Christmas.

Sir Patrick Mayhew, the Northern Ireland secretary, yesterday gave cabinet ministers their first briefing on last Friday's meeting in Dublin between Mr Major and Mr Reynolds, and subsequent official contacts.

Downing Street said yesterday that the two sides "seem to be getting along well."

There was further reassurance for unionists last night when Mr Andrew Hunter, the strongly pro-unionist MP for Basingstoke, beat off a challenge from Mr Peter Temple-Morris, the MP for Leominster, for the chairmanship of the Tory backbench Northern Ireland committee.

In his letter to fellow Tories, Mr Fee said: "If the government agrees to any form of devolved legislative government for Northern Ireland, it will be ensuring the break-up of the United Kingdom."

In Dublin, a spokesman for the Irish government said it was prepared to make a written commitment to downgrade its territorial claim to Northern Ireland to an "aspiration" as part of an overall settlement package.

But the commitment came as Mr Reynolds indicated in a television interview that Dublin is hoping for a united Ireland "within a generation."

Lloyd's introduces new rules

By Richard Lapper

Lloyd's of London yesterday introduced new voting rules, significantly increasing the power of new corporate members in the insurance market.

More than 16 new corporate Names – investment trusts and companies and insurance companies – are injecting some £850m into the market and will provide backing of about £1.5bn in 1994, just under a fifth of the total.

The rules, which follow the recommendations of an interim report by a working party on voting rights, allocate votes proportionate to allocated capacity (the amount of premiums syndicates are permitted to underwrite).

Individual members or Names, whose assets have traditionally supported the insurance market, will have voting rights proportionate to their allocated capacity but this has been divided between them on a "one-member-one-vote" basis.

Individuals are expected to supply up to £8bn in capacity in 1994.

It is ultimately envisaged that voting at general meetings will be weighted directly proportionate to capacity.

Separately, Lloyd's also announced new mandatory qualifications for active underwriters – those appointed after 31 December 1994 must be associates of the Chartered Insurance Institute – and underwriting agency directors.

Grape One sinks in the Channel off Plymouth yesterday. The 15-man crew was winched to safety

Britain battered by storms

Britons spent yesterday clearing up after severe gales which caused havoc on the roads and left at least nine people dead.

Royal Navy and RAF rescue helicopter crews were scrambled through the night after a series of mayday calls. Fifteen crewmen were winched to safety from a stricken Maltese-registered freighter in the English Channel.

The crew of the Grape One were winched off the stricken ship, which had got into trouble between Start Point and Plymouth, Devon, in force 9 gales.

The crew were flown to hospital in Plymouth and the ship, which has a 50-degree list, is expected to sink, said the Ministry of Defence.

The winds, gusting to more than 80 mph, damaged buildings, brought down trees and power lines, and severely disrupted rail and ferry services.

They were among the strongest winds ever recorded in December.

The west, particularly west Wales, had the highest wind speeds, said the London Weather Centre. At Pembrey, near Llanelli, Dyfed, gusts of 98 mph were recorded.

In London, high winds brought down Christmas lights in Oxford Street and Regent Street.

Power to about 35,000 homes was blacked out in Wales, 17,500 in the south-west and 15,000 in Shropshire.

Mainline rail services between Manchester and London were brought to a standstill by fallen power lines between Crewe and Rugby.

Civil Service agencies to be privatised

By John Willman, Public Policy Editor

The British government yesterday gave the green light to the privatisation of large parts of the Whitehall machine by putting more than 140 executive agencies up for sale.

The agencies currently employ 430,000 civil servants, almost 80 per cent of the civil service, on activities ranging from the payment of benefits to the servicing of the armed forces' equipment.

Mr William Waldegrave, the public services minister, said the civil service could be reduced within a few years to a core of 50,000 policymakers buying in services from both the public and private sectors.

The move, which represents a victory for ministers supporting radical reforms of the civil service, comes after growing criticism of the government's failure to reform the civil service. Numbers of white collar civil servants rose last year, while the market testing programme has produced much smaller savings than expected.

Following pressure from the Treasury and Downing Street, much greater emphasis is now to be put on privatising public services instead of creating new agencies.

Each existing agency will also be considered for privatisation when it has a three-yearly review of its progress.

In a new departure, outsiders will be invited to participate in these reviews, effectively inviting them to come forward with bids. To increase private sector interest, the reviews will in future be announced so that bids can be made.

A white paper published yesterday on the agencies lists 92 which are already up and running, 36 of which are currently under review. A further 24 will be reviewed next year.

The names of 36 new agencies are also listed – mainly in defence – where outside interest would be welcomed.

Ms Elizabeth Symons of the First Division Association, the top civil servants' union, described the proposals as a clear departure from government policy so far.

"They are dressed up to look innocuous but herald a full-scale privatisation of everything from defence communications to core activities like the Crown Prosecution Service," she said.

But Mr John Staples of EDS-Scicon, part of the world's largest contracted services provider, said that he would review the list with great interest. "This offers a new way of getting value and quality into the public services, by focusing more on the services to be delivered than on how they are currently done."

Britain in brief

Reform move on newspaper distribution

The UK Department of Trade and Industry has linked with the Office of Fair Trading to seek "fundamental reforms" in UK newspaper distribution.

Mr Neil Hamilton, corporate affairs minister, decided to go further than yesterday's recommendations of a Monopolies and Mergers Commission report on the £1.2bn industry.

He said he wanted to initiate fundamental reforms in the supply of newspapers which would stop wholesalers refusing to supply retailers on the grounds that an area was already adequately served and to remove restrictions on the point of sale and resale of papers.

Kawasaki buys Devon plant

Kawasaki Heavy Industries of Japan is buying the Staffa Motor plant at Plymouth, Devon, from its American owners to establish a European manufacturing base.

Staffa Motor is part of the Vickers Systems Division of Trinova, the US power controls company. The plant, which has 180 employees, makes hydraulic radial piston motors used in winches and the mining industry. It has an annual turnover of about £10m. The price of the acquisition, to be signed next week, has not been disclosed.

Kawasaki is setting up its third UK subsidiary to run the plant, called Kawasaki Precision Machinery.

N-test cancer theory rejected

Servicemen who took part in British nuclear weapon tests in the South Pacific during the 1950s have not suffered an excess of cancer, according to a study published today in the British Medical Journal.

The long-awaited report by the National Radiological Protection Board and Imperial Cancer Research Fund is a follow-up to a controversial study of 22,000 bomb test veterans, published in 1988.

Phone probe suspended

The Office of Fair Trading has suspended its investigation into claims that British Telecommunications manages its telephone directory business unfairly to customers and competitors.

But Sir Bryan Carsberg, director general of fair trading, said he was doing so only to allow Oftel, the telecommunications regulator, to investigate the issues first.

Insurers hail pollution ruling

Insurers of companies that cause pollution yesterday expressed relief after a Cambridgeshire tannery won its appeal in the Lords against an order to pay £1.1m in environmental damages for contaminating a water borehole.

Had the five law lords ruled the other way, the concept of retrospective strict liability for environmental damage could have left insurers facing a bill of £3bn for the cost of cleaning up contaminated land.

Soccer mourns Blanchflower

Danny Blanchflower the former Tottenham Hotspur and Northern Ireland footballer, died yesterday aged 67.

From Irish League club Glentoran he joined Barnsley in 1949 and subsequently played for Aston Villa before joining Spurs in 1954, retiring ten years later.

In 1961, he led Spurs to the Football League and FA Cup double, the first time the feat had been achieved this century.

In 1963 he was captain as Spurs became the first British club to lift a European trophy, beating Atletico Madrid 5-1 in the European Cup Winners' Cup final in Rotterdam.

He was capped 56 times by Northern Ireland, most memorably leading his country to the 1958 World Cup finals in Sweden, where they reached the quarter-finals.

Tories attack Delors' plan on job creation

By Roland Rudd

The UK government yesterday attacked plans by Mr Jacques Delors, the European Commission's president, to create jobs by borrowing money to pay for big environmental and transport projects such as the Channel tunnel Rail Link.

One the eve of the European summit in Brussels, Mr Kenneth Clarke, chancellor, said there was no evidence of the need for Community borrowing for infrastructure improvements across Europe.

"Here are the Commission for the first time saying they are going to borrow billions of Ecu as a Commission and dish it out to as yet unspecified projects across Europe" he said on BBC Radio.

All the EC governments were trying to get borrowing down to create the right conditions for growth.

"It really is rather perverse for the European Commission to say: 'Oh but we are going to have a public sector borrowing requirement of our own now and we are going to start borrowing billions of pounds which might start driving things in the wrong direction."

Mr Douglas Hurd, foreign secretary, joined in the attack on the Commission during yesterday's debate on Europe, arguing "it was unreal to talk about President Delors' White Paper" while there was uncertainty surrounding the General Agreement on Tariffs and Trade.

The government's negative reaction to the Commission's proposals was criticised by Mr Gordon Brown, Labour's shadow chancellor. He accused ministers of "spoiling for yet another fight in Europe".

"Many of the proposals the government now rejects out of hand are modelled on the December summit agreement in Edinburgh in 1992 for which the prime minister once claimed credit" he said.

Mr Brown added: "It is clear that the negative, destructive, anti-European attitudes expressed even by declared pro-Europeans like the chancellor are designed to hold the Conservative party together."

Earlier Mr Clarke said: "We don't want these white papers produced on a Monday, trundled through a heads of government conference at the weekend, accompanied by a press release indicating that something like £100bn worth of borrowing can speed up the construction of the networks across Europe."

But Mr Brown asked: "Why does the government refuse to back action that would clearly be of benefit to the Channel tunnel rail link and prevent the national humiliation until 2002 of trains travelling at 185 mph from a link already opened from Paris to Calais but at only 47 mph from Dover to London?"

Celebration as tunnel heads for the light of day

Andrew Taylor on the handing over of the channel tunnel project

Rows over payments and delays will be set aside today as British and French contractors celebrate the end of construction of the Channel tunnel with an official handing over of the project to its operator, Eurotunnel.

Commercial services are not expected to begin until March when freight wagons should start using the tunnel. Car passenger services are likely to begin shortly after Easter.

Compared with some grand civil projects Eurotunnel has not had a bad deal although the project is almost a year late and cost more than twice its original estimate of £4.7bn when it was started in 1988.

The Suez and Panama canals each cost more than 50 times their original budgets, while the single-bore Seikan rail tunnel, which connects Hokkaido to the mainland of northern Japan, took 24 years to build, 14 more than planned, and caused 34 deaths. Its budget overshoot was far more than that of the Channel tunnel.

The Channel tunnel also cost the lives of 10 workers – eight on Britain's side and two on the French.

There was a slow start on the British side when salt water, percolating through fissures in the rock, affected the delicate controls on the 200m-long tunnel-boring machines.

Initial attempts to insulate equipment caused overheating, periodic engine fires and many breakdowns. At one stage progress under the Kent coast was less than 20m a week, compared with more than 300m a week later.

Mr John King, director responsible for the British tunnelling, later admitted: "There were several times when I thought we might not make it. "One of the worst moments was when, with water still pouring through tiny fissures in the roof of the tunnel, we had to decide whether the modifications we had made to the machines would be sufficient to let us proceed. Fortunately, they worked."

Since then engineers have gone on to break a number of records in the course of digging about 150km, in three adjoining tunnels, removing more than 20m tonnes of spoil and building the world's largest undersea tunnel.

The tunnel was just a beginning. The terminals at Folkestone in Kent and Sangatte near Calais in northern France represented two of Europe's biggest building projects.

The tunnel is one of the world's most sophisticated transport systems including more than 200km of track in the two running tunnels which are separated by the central service tunnel.

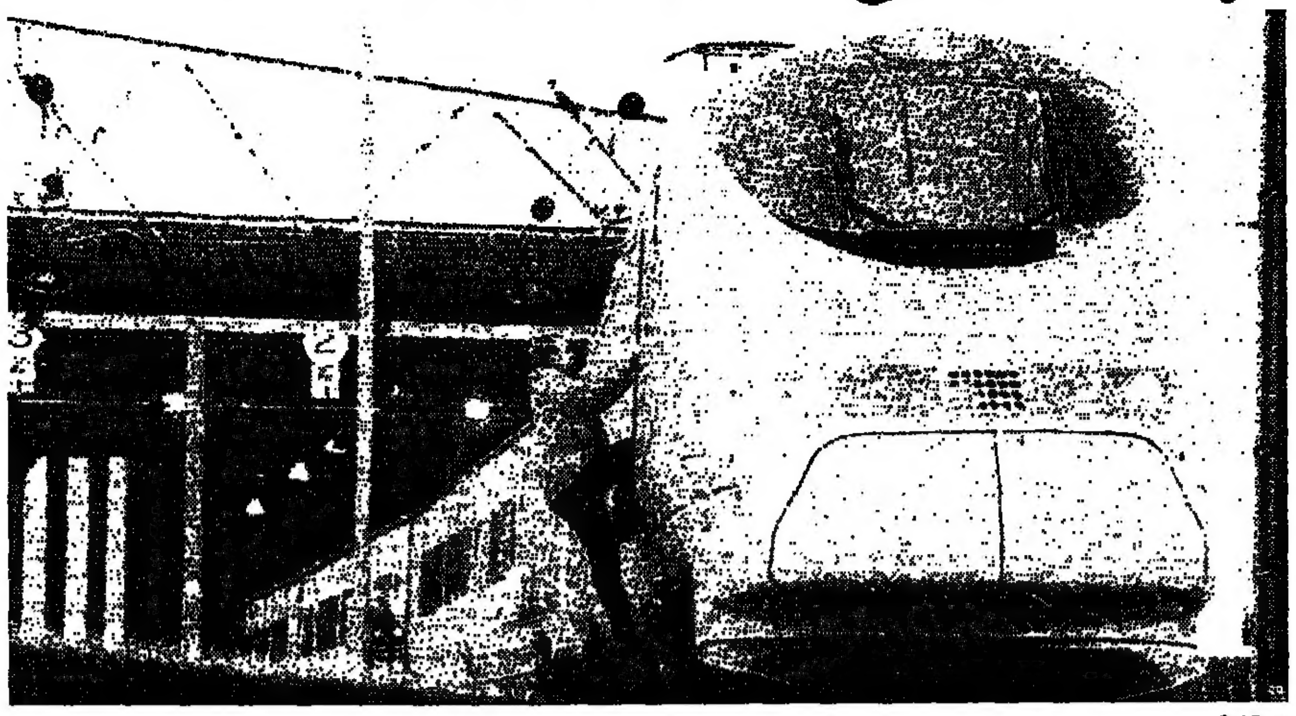
There is computer-controlled signalling as well as monitoring and override devices along the track and in trains to assist the managers of the new railway. These will operate from control towers at each end of the tunnel, either of which can operate the system on its own. Information is carried through miles of fibre-optic cable capable of handling 700m pieces of data per second.

Power for the overhead railway will be drawn from the British and French national grids from two purpose-built sub-stations at each end of the tunnel.

Stiff safety requirements, in the wake of London Underground's fire at Kings Cross and the sinking of the Herald of Free Enterprise, helped increase the project's cost and added to delays.

Mr Edward Ryder, UK head of the inter-governmental Channel tunnel safety authority, said this week that a full-scale evacuation test, involving 1,000 Channel tunnel employees and their families, will be conducted before commercial services can start.

He could not rule out further delays, but said: "We are confident that the design and concept of the project ought to be able to work safely. Once you are inside, you should be safer than you were on the journey to the tunnel."



Paul Grover

The high-speed Eurostar train – up to a quarter of a mile long – which will serve the Channel tunnel route, in London sidings yesterday

British CEOs slip in level of rewards

By Lisa Wood, Labour Staff

Chief executives in the UK are falling further behind their international colleagues in the pay stakes despite substantial salary increases in recent months, according to a survey by Towers Perrin, the management consultants.

However, because prices in Britain are relatively low, UK executives have better living standards than many of their Continental colleagues.

The remuneration survey placed UK chief executives in 17th position in terms of their total cash remuneration in the survey of 19 countries. The league table was topped by executives in the US.

This represented a fall of three places on the finding for the previous year for the remuneration of chief executives in industrial companies with annual sales of approximately £165m.

Chief executives in the UK fared slightly better in the international scale – up three places to 14th position – when the criterion of total remuneration, including salary, bonuses, benefits, perquisites and long term incentives, were used.

In terms of purchasing power chief executives in the UK had 63 per cent of the purchasing power of the American chief executive, putting them ahead of most of their Continental counterparts.

German chief executives had 65 per cent of the American's purchasing power, Italy 64 per cent, Spain 62 per cent, Switzerland 61 per cent and France 55 per cent.

Rover sees rise in new car output

By Kevin Done, Motor Industry Correspondent

Rover has raised car output this year with an increase of 5.2 per cent in the first nine months, and a jump of 25 per cent year-on-year in the third quarter, figures from the Society of Motor Manufacturers and Traders showed yesterday.

The company is virtually alone among European carmakers in achieving an increase.

The company has shown strong growth, albeit from a small base, in some of the main continental European markets, where it is starting to benefit from heavy investment to develop its dealer networks. Such markets include Germany, France and Italy.

UK car output has also been boosted by the industry's leading presence in the production of four-wheel-drive vehicles through Land Rover, part of the Rover group, and through IBC Vehicles, a 60/40 joint venture between General Motors and Isuzu which produces the Opel/Vauxhall Frontera.

Land Rover has raised output of its Discovery and Range Rover vehicles by 31 per cent year-on-year in the first nine months of the year, while IBC has increased output of the Frontera by 43 per cent.

● Ford, the leader of the UK new car market, yesterday forecast only modest growth in new car demand next year with registrations expected to rise by around 4.5 per cent to 1.85m.

Ford does not expect the UK market to recover the ground lost during the recession for at least five years.

Ford credit card for April launch

By Bethan Hutton

Ford has joined forces with Barclaycard to enter the UK credit card war, following its rival Vauxhall's entry to the market in October. Ford already issues credit cards in the US.

Ford's approach is two-pronged. It will issue co-branded Ford-Barclaycard credit cards, available from April 1994, and will forge a link with Barclaycard's existing customer loyalty programme, giving all Barclaycard holders the chance of discounts on new Ford cars from January.

The Ford-branded credit cards, available as Visa or Mastercard, can be seen as a direct response to Vauxhall's GM Mastercard and Visa, to be issued from January. Both work as normal credit cards, but heavy spenders can earn rebates on new cars: 5 per cent of each transaction is given back as points towards rebates of up to £600 a year, maximum £1,800, with Ford, and £500 a year, maximum £2,500, with Vauxhall.

The difference with Ford's scheme is that it will not be necessary to have a Ford-branded card to participate. About 3m of Barclaycard's 8m customers are already registered with its Profiles scheme, which gives one Profiles point for every £10 spent. Points currently buy gifts from a catalogue, but from January they can also be used towards buying a new Ford.

The Ford card has two disadvantages compared with the GM card. It will charge an annual fee of £10 (waived for the first year), whereas GM has no plans for a fee for its card, and the interest rate for Barclaycards is higher, at 1.585 per cent a month (APR 21.9), than GM's 1.53 per cent a month (APR 19.9).

When values diverge

The Queens Moat Houses case has called surveyors' methods into question, says Andrew Jack

The widely divergent valuations produced recently by two firms of surveyors on the assets of Queens Moat Houses, the hotel group, have triggered questions about both the regulatory processes of surveyors and the very nature of their profession. The answers may be a long time in coming.

The Queens Moat Houses accounts for the year to December 31 1991 show a valuation of the company's property portfolio by surveyors Weatherall Green & Smith of £2bn. The delayed 1992 accounts – released at the end of October – show a revised figure from Jones Lang Wootton of just £861m.

It appears that Weatherall had produced a draft valuation for 1992 presented to QMH's banks of £1.86bn. before recommending a final figure of £1.35bn. JLW produced a draft figure as low as £640m, before settling on the £861m accepted by the board.

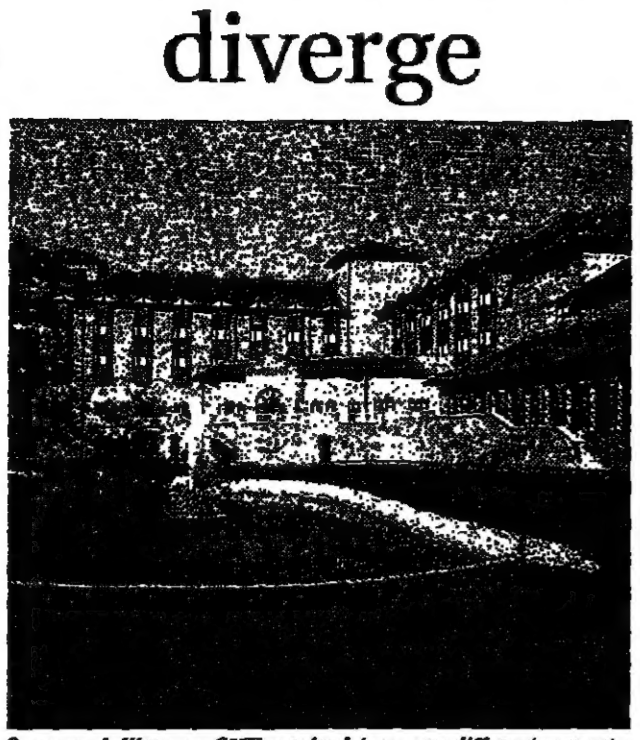
While the full details have yet to emerge – and may never be made public – it appears that both firms of surveyors delivered their 1992 estimates within months of each other, were asked to prepare their valuations on the same open market basis, had the same information from which to work, and were asked to base their analysis on the state of the market at the same date: the end of 1992.

In other words, two large firms of surveyors had come up with such widely different values on the same properties that QMH had to settle on values in its accounts that fell by £1.14bn between 1991 and 1992.

The notes to the accounts state: "The current directors consider that they do not have a sufficient understanding of the 1991 property valuation to enable them to provide a full explanation for the decline in the property values." The auditors qualified the accounts on the same grounds.

Rather stronger language has come from others – not least from some shareholders in QMH, who have threatened legal action and attempted, unsuccessfully, to reject the 1992 accounts.

Mr Jerry Acher, head of audit and accounting at accountants KPMG Peat Marwick, says: "It calls into question the whole approach to valuations." Mr Clive Lewis, president of the Royal Institution of Chartered Surveyors, is even more strident. "The valuations were an enormous banana skin," he says. "The very size and measure makes it hard to get your mind around, and makes it such a public interest. I do not believe the profession can sit idly by when you get a QMH [situation]."



Surveyors' dilemma: QMH received two very different property valuations. Picture shows Solihull Moat House, West Midlands

Many agree with these views, and welcomed Mr Lewis's statement shortly after the QMH accounts were published that the institution would investigate swiftly to consider whether there was a case for disciplinary action.

But when the Department of Trade and Industry announced that it would be appointing inspectors to conduct an investigation, the institution delayed its own examination indefinitely. There appears to be no legal requirement for it to do so, although, traditionally, most professional bodies have withdrawn once the DTI has become involved.

The result is to defer scrutiny of the conduct of the two firms and of the far wider question of the methodology of surveyors when making property valuations. The DTI's conclusions are unlikely to emerge within less than two years, and the institution will probably not intervene in the QMH case in the meantime.

This example is one of a handful of high-profile cases considered by the surveyors' own body, none of which appears to have led to public reprimand or clarification of the usefulness of valuations.

For example, during the takeover of Scott's Restaurant of London by BS Group, a Bristol-based stadium group, in 1990, Baker Lorenz valued the Scott's properties at £6.43m. De Morgan & Co, which was commissioned by minority shareholders in BS, arrived at a figure of £2.3m. The institution concluded: "The difference between the amounts of the two valuations is wholly attributable to a difference in valuation opinion."

Mr Lewis says that, in the past, the assets valuation standards committee has been able to rap knuckles on occasions, but it is only since a change to the bylaws in 1991 that valuation matters can be referred to the institution's disciplinary committee. This process has yet to be tested.

Assuming there is no misconduct in the QMH case, that leaves open the question of whether surveyors' valuations have any meaning, particularly during a recession. Mr Len Baker, head of the valuation department at Erdman Lewis, the surveyors, says: "I have been valuing for 30 years. I have never found it as difficult as in the last two. There is so little by way of reliable transactions. It is much more into the realm of pure opinion."

Mr Ron Paterson, technical partner at accountants Ernst & Young, says: "Valuations depend on there being a market which you can use. In the last two years it has all been more hypothetical than real [because of the recession]. In the absence of transactions I don't know how the surveying profession deals with the issues. Accounts should be about recording what you have done. You're wasting your time if you put in valuations."

Mr Lewis set up a working party on valuations, which will examine methodology and is due to report by early March next year. But he says: "There are lots of different ways you can go about valuing. There is no way of satisfactorily putting them into words."

At the start of this week, the British Association of Hotel Accountants made its own contribution to the debate with a statement of recommended practice on valuations, which strongly advises the use of discounted cash flow based on future income. But this already represents best practice in the profession, and the association's officers admit that it leaves considerable scope for professional judgment.

It is this judgment that KPMG's Mr Acher questions. He argues that, when surveyors examine investment properties and similar assets with a steady, predictable income, their figures are credible.

The problems begin when they attempt to examine future cash flow, capital expenditure and profit figures, which are vital for properties such as hotels. "Surveyors don't necessarily possess all the right skills," he says. "The valuer ought to receive these figures signed off by an accountant. We don't see that happening. The accountants and the surveyors ought to get together to issue guidance."

Lasmo's board now two short

Lord Rees, a former chief secretary to the Treasury who celebrated his 67th birthday yesterday, is to step down as chairman of Lasmo, the struggling UK oil company, after the next agm in May 1994.

Lord Rees, who was brought on to the board for his political contacts, has been chairman since 1988, during which time the company has more than trebled in size. However, its rapid growth, culminating in the £1bn acquisition of Ultramar in 1991, has coincided with falling oil prices.

The departure of Lord Rees is the latest of several changes in Lasmo's boardroom over the past year. Last January Chris Greentree, who had run the group for more than a decade, was replaced as chief executive by Joe Darby who joined in 1989. In October Lasmo announced that it was replacing its finance director, Michael Pavia, but has yet to do so.

Over the past year Lasmo's shares have underperformed the stock market by more than a third, and during the past two the company's stock market capitalisation has halved to £860m. There is a growing concern in the City that the company might not be able to maintain its reduced dividend and a feeling that Lasmo's board needs strengthening if it is to regain the confidence of institutional investors.

Pavia leaves the company at the end of the year and Darby says he hopes to have a new finance director in place by the end of the first quarter. "We need a fresh face, who is known in the City," Darby said yesterday. He hoped that Lord Rees' replacement would be named before the end of March.

Non-executive directors

Tesco, the UK's second-biggest grocery retailer, has appointed John Gardiner (above), chairman of the Laird Group, as non-executive deputy chairman.

Gardiner, 57, who has been on the TESCO board for five years, joins the existing part-time deputy chairman Victor Benjamin.

The move is thought to be aimed at ensuring a smooth handover when Benjamin reaches the retirement age of 60 in two years' time. It will also strengthen the representation of the non-executive segment of the board.

Gardiner has plenty of experience in the boardroom. After six years as a journalist on the Financial Times' Lex column in the 1960s, he joined the Industrial Reorganisation Corporation for two years. At 34, he was appointed chief executive of Cammell Laird, which later changed its name to the Laird Group. He added the position of chairman in 1987.

He has been a non-executive director of corporations including British Airways, British Leyland, British Shipbuilders, Cambrian & General Securities, ICL, Courtaulds and MAI. He has also been a part-time member of the board of the UK Atomic Energy Authority, a member of the National Enterprise Board, the South Bank Theatre Board, and the Council of the Open University.

Gardiner is currently a non-executive director of Enterprise Oil, PowerGen and the Securities and Investments Board, and in September was appointed chairman of the School Teachers' Review Body.

■ John Mayo, the young finance director of Zeneca, the bioscience group, has been appointed a non-executive director of PENTLAND, the sportswear distributor which controls 20 per cent of Adidas.

Mayo's previous experience as a director of S.G. Warburg has undoubtedly helped the 37-year-old master the intricacies of Zeneca's operations. His understanding of the US market for ace-inhibitors – a class of drugs for hypertension – recently exceeded that of his chief executive. Sports clothing should hold few terrors for him.

■ Sir Peter Middleton, deputy chairman of Barclays Bank, at NORTH WEST WATER.

■ Bob Bauman, chief executive of SmithKline Beecham, and Charles Sinclair, group chief executive of Daily Mail & General Trust, at REUTERS HOLDINGS; Ian Park and David Snedden will retire in April.

■ Sir Bob Reid, chairman of British Rail, at BRITISH BORNEO PETROLEUM SYNDICATE.

■ Edward Elson has resigned from W.H. SMITH on his appointment as US ambassador to Denmark.

■ Frank Charnock, retired chairman of Jones Lang Wootton International, at HAMMERSON GROUP.

■ John Ansdell, former group finance director at Trafalgar House, at CRESTON.

■ Alan Bewkett, chief executive of Berisford International, at GREENE KING.

■ Peter Adams, chief executive of Taunton Cider, at HOZELOCK GROUP.

■ Sir Terry Heiser, a former permanent secretary at the Department of the Environment, and Peter Macfarlane, finance director of Allied Lyons, at McDONNELL INFORMATION SYSTEMS.

■ Lord Wilson of Tillyorn, former governor of Hong Kong, at MARTIN CURRIE PACIFIC TRUST.

■ John Parry, retired md of Hammerson Group, at CENTROS.

■ Rex Clark, dean of Leeds Business School and former deputy md organic chemicals division at Laporte, at MOVEX.

■ Alan McWalter, marketing and business development director of Comet Group, at CONSTANTINE HOLDINGS.

■ Anne Roberts (below), md of National Trust (Enterprises), at REMPLOY.

Sinclair to co-ordinate Europe at Dell

Dell, the world's fastest growing computer company, is reorganising its European business as it evolves from youthful entrepreneur to sophisticated multinational business.

Bruce Sinclair, European vice president, has been given charge of all Dell's sales, marketing and service operations in Europe. A new team of seven country managers, including Michael Swalwell in the UK, will report to him.

He says the move is designed to streamline and co-ordinate the company's European activities which had become fragmented and inefficient. While planning and treasury management were carried out at the company's headquarters in Austin, Texas, Europe had become a number of small, separate, businesses reporting to the US.

Sinclair joined Dell in 1988 to launch Dell Canada, which had become that country's fastest growing company by 1991. He was appointed vice-president of Europe 18 months ago.

Before Dell, he had been chief executive of Harris Systems, the electronics and semiconductor concern. Denis O'Kelley, formerly with Digital Equipment and Burroughs (now Unisys), has been appointed first vice-president of European customer service and Philippe D'Argent, formerly managing director of Dell France, has been appointed vice-president, European marketing.

Dell was formed in 1984 by Michael Dell, then 19 years old, on the then revolutionary premise that personal computers could be sold by mail order backed by telephone service.

■ Steve Edkins has been appointed product development director of DST CLARKE & TILLEY; he moves from Sherwood Computer Systems.

■ Paul Davies, formerly md of EASAMS, part of GEC, has been appointed md new business of COMAC.

■ Peter Mansen, formerly UK sales director, of Compaq, has been appointed md of DATAPOINT UK, in succession to David Berger who becomes vice-president of sales and distribution at HQ in Paris.

■ Marianne Cooper has been appointed md of EDS-SCICON's process industries division.

LEGAL NOTICES

No. 009416 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF VERSION INTERNATIONAL GROUP plc
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of High Court of Justice, Chancery Division dated the 24th November 1993 confirming the reduction of the amount standing to the credit of the Share Premium Account of the above named Company was registered by the Registrar of Companies on the 26th November 1993.

Dated 10th December 1993
CLIFFORD CHANCE
200 Aldersgate Street, London EC1A 4JJ
Ref: KO
Solicitors to the Company

MANAGEMENT

Lucy Kellaway speaks to an image consultant about the dress sense of Britain's captains of industry

Sir John, get rid of those ties

When you cross your legs are there two inches of flesh between where the socks end and the trousers begin? Do you polish your shoes only when you notice they are scruffy? Do you hang your suits on wire hangers? Is your hairstyle the same as it was 10 years ago?

If the answer is yes to most of these questions you need help. That is the view of Mary Spillane, founder of CMB Image Consultants, who has made a living over the last 10 years telling British men how to look better. She has encouraged the bosses of the former nationalised industries to cast off their cheap suits made from indestructable fibres. She is now hard at work encouraging British Rail managers that executives of go-ahead private companies do not wear ties that end mid-belly.

British businessmen generally – and not just those who are being smartened up to be sold off – are beginning to take care about the way they look. Yet according to Spillane, surveys still show that British businessmen are regarded as the worst dressed in Europe. It is not just vanity that is at stake: looking good is said to be an important first step to getting the job, doing the deal and winning the debate.

She believes the sartorial style of John Major, the UK prime minister, sets a bad example. She was horrified to see him recently wearing his first double-breasted suit, which he evidently did not know how to do up. "There was then a hysterical dance by the leader of the country looking for his buttons."

Despite Major's recent conversion, double-breasted suits are out, she says. So, too, are white collars, which decapitate the wearer, and stripey shirts, which are too hard on the eye.

The guiding principle is that businessmen should be more conscious of what they wear, should consider their audience and the effect they want to have on it and should dress explicitly with that in mind.

Yet just giving their appearance a bit of thought does not mean they get it right. The Financial Times asked Spillane to comment on the appearance of some of British industry's most notable dressers, and found that she was often less than impressed.

Sir John Harvey-Jones, former chairman of ICI, is perhaps the most notorious dresser in business. He has become almost as famous for his ties and for his flowing locks as for his oft-repeated views on the ills of British management. Yet Spillane describes him as a "complete mess" and is horrified by his wayward hair, the flecks of dandruff on his collar and his crumpled suits. She recommends that he change his shampoo, grow his hair longer so that he can wear it in a pony-tail, and buy a trouser press. She also strongly urges him to do something about those ties. "His personality is larger than life and he does not need the stupid ties." He can still wear fun ties, but the gardenias flapping around his neck should not arrive before he does.

The verdict: Birt needs an iron and Harvey-Jones needs a pony-tail, but Hanson is the 'quintessential businessman'

Richard Branson, chairman of Virgin Atlantic, another well-known dresser with his jazzy sweaters and his shirts open to the waist, does not know where to stop, argues Spillane. She applauds the casual sweater he wore for negotiations with British Airways, as it sent out the message that Virgin is the antithesis of the other airline, more user friendly, more trustworthy. Yet to address the conservatively clad Institute of Directors in shirt-sleeves without a tie was going too far. "It was a very arrogant gesture. His message would have been stronger if he had shown more respect." While she thinks it appropriate that his unconventional approach to business should be reflected in casual dress, she quibbles with his taste. "The poor chap is colour blind. You see him on TV and what he is saying is gripping but you can't listen. Your eyes are drawn down to that catastrophe of a sweater."

Alan Sugar, chairman of Amstrad, is not an establishment business figure and his appearance seeks to get the idea across. He sports a beard, which is still regarded as an act of defiance by a captain of industry. Sugar's facial growth is deemed beyond the pale by Spillane. "Because it is so multi-coloured, it looks dirty, as if he still has Marmite and cornflakes in it." The cut-away collar and the big chunky knot also come in for disapproval: "They are very 1970s." She thinks that for someone who has been through difficult times and who has needed the support of shareholders, a cleaner image might have been better.

John Birt, director-general of the BBC, is trying to bring about a management revolution at the corporation and deems the best way to present himself for that delicate task is in an Armani suit. The publicity photographs sent out by the BBC show him looking dapper, fashionable in an understated sort of way. Spillane thinks his ties are fantastic: "They show he knows it's 1993." She also likes the soft European shirt, which is perfectly matched by his European suit.

Yet far from giving Birt high marks for general appearance, she thinks the photograph lies. "He looks marvellous in the pictures, but when you see him standing up he looks like he is in a bin liner covered in wrinkles." She advises him to give each suit a two-week holiday in between outings to let the fabric rest.

The option of an Armani suit is not open to Sir Richard Greenbury, chairman of Marks and Spencer who is more or less obliged to wear the same M&S suits he sells to the average British businessman. Spillane thinks the look is "presentable" yet notes that the single button on his jacket strains over his stomach. She does not like the way his handkerchief has just been plonked into the breast pocket and thinks the average paisley tie would be appropriate "for a guy going nowhere". For greater authority, in keeping with his status, she recommends a plain, woven silk tie, set off by a patterned handkerchief.

Robin Leigh-Pemberton (now Lord Kingsdown), the blue-blooded ex-governor of the Bank of England, sports expensive hand-tailored Savile Row suits with trousers that begin just under the armpits. "He has no waist. He should never be caught without his jacket on. His suits are very heavy, far too heavy for today's heated offices and do not drape well. To Europeans his image says stuffy, dated, boring."

Yet not everyone gets torn apart by Spillane. She thoroughly approves of Lord Hanson, the chairman of the Anglo-American conglomerate. He looks the "quintessential businessman" with his trim suits, hand-made shirts, double cuffs and cuff-links. His tie and handkerchief complement each other, but never match. Yet not all the credit for this pleasing effect goes to his tailor nor even to his colour sense. "You have to think of the raw material you start with. There's a great body under there."

There is a message here for businessmen in general. Looking better may not be about throwing out the old wardrobe and starting again. "If most British businessmen went on a treadmill three times a week, the clothes they have would look much better on them," she says.

Square pegs in round holes

Re-engineering does not always fit, writes Christopher Lorenz

Contrary to all the hype surrounding the subject, most "re-engineering" projects fail to create much improvement in the financial performance of the organisations which introduce them – sometimes it even gets worse. This is in spite of the considerable impact which re-engineering often has on individual "business processes", in terms of both cost reduction and productivity improvement.

The reason for this apparent paradox is that most re-engineering projects lack breadth, depth, or committed leadership by senior executives – even all three.

These are the main conclusions of a study of re-engineering projects in 100 companies around the world carried out by three consultants from the New York office of McKinsey & Co, Gene Hall, Jim Rosenthal and Judy Wade.

Of 20 companies which the consultants studied in depth, many cut the cost of their redesigned processes by between 15 and 50 per cent. But only six achieved total cost reductions of above 13 per cent in the business unit concerned; the highest was 22 per cent. Even these better efforts created, at most, a marginal rise in pre-tax earnings.

As one of their "five keys to a successful redesign", the consultants say that chief executives of organisations with re-engineering projects need to commit between 20 and 50 per cent of their time to them.

In its indictment of narrowness, shallowness, and lack of leadership, the study reinforces existing evidence that, because of all the hype, the term "re-engineering" is being mis-applied by many companies.

First, it is being attached to the design of narrow activities within individual departments or "functions". One example given by the consultants is accounts payable. By contrast, the originators of the term intended it to be applied only to broader processes which span several departments, such as order generation and fulfilment, in which billing and payment are only small components.

Second, the study underlines the danger of seeing re-engineering as a shallow, isolated exercise, rather than combining it with other elements of "change management". The consultants itemise – albeit in rather an odd order – six so-called "depth levers" which must also be changed: people's roles and responsibilities; measures and incentives; organisation structure; information technology; shared values; and skills.

Reporting on their study in the latest issue of the Harvard Business Review*, the consultants single out three companies as model re-engineers: AT&T, Banca di America e di Italia, and Siemens Nixdorf Service. In all three cases, senior executives not only set ambitious goals, but restructured every element of the organisation.

By contrast, the McKinsey team cites a European commercial bank which expected that a redesign of some of its back-office activities would cut its process costs by almost a quarter. The actual reduction was only 5 per cent, and pre-tax earnings rose by a scant 3 per cent.

The reason was not only that the bank had overlooked many back-office processes, but also that back-office costs represented only 40 per cent of its total costs. "The process had been too narrowly defined," the consultants comment.

Apart from committing large amounts of the chief executive's time, the consultants' other "key steps" to successful re-engineering include the setting of aggressive performance improvement targets for the entire business unit concerned, not just for one or two individual processes within it.

They conclude that the problem is that most executives think they can accomplish everything "with a memo and a slick video of the CEO talking about the need for change".

*How to make re-engineering really work. HBR Nov-Dec 1993. Reprint no 93604. Fax (US) 617-495-6985.

LEGAL NOTICES

No. 009517 of 1993
IN THE HIGH COURT OF JUSTICE
Chancery Division
IN THE MATTER OF
EUROPCAR UK LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 24th November 1993 confirming the reduction of the capital of the above-named Company from £37,005,100 to £1,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 27th day of November 1993
Dated the 10th day of December 1993
Manlcew Arnold & Baldwin
P O Box 101
20 Station Road, Watford Herts WD1 1HT
Solicitors for the above-named Company

No. 009328 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
PHIBRO ENERGY LIMITED
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of High Court of Justice, Chancery Division dated the 24th November 1993 confirming the cancellation of the capital redemption reserve of the above named Company was registered by the Registrar of Companies on 26th November 1993
Dated this 10th December 1993
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

LEGAL NOTICES

In the High Court of Justice No. 009300 of 1993
Chancery Division
IN THE MATTER OF
HOARE GOVETT SECURITIES LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of High Court of Justice, Chancery Division, dated the 24th November 1993 confirming the reduction of share capital of the above named Company was registered by the Registrar of Companies on the 26th November 1993.
Dated 10th December 1993
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

No. 009392 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
POUNDSTRETCHER HOLDINGS LIMITED
AND IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 24 November 1993 confirming the reduction of the share premium account by £6,776,971 was registered by the Registrar of Companies on 1 December 1993.
DATED this 7th day of December 1993.
Berwin Leighton of Adelaide House,
London Bridge, London EC4R 9HA.
Tel: 071 623 3144.
Ref: IL/MLFT/B674/111.
Solicitors for the above-named company

TEMPLETON GLOBAL STRATEGY SICAV
Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B - 35117

DIVIDEND ANNOUNCEMENT

TEMPLETON GLOBAL STRATEGY SICAV will pay on December 10, 1993 the following dividends against presentation of the respective coupons:

Templeton Global Growth Fund:	USD	0.0055	coupon no 2
Templeton DM Global Growth Fund:	DEM	0.0037	coupon no 2
Templeton US Government Fund:	USD	0.050	coupon no 25

Paying Agent in Luxembourg:
Banque Internationale à Luxembourg
2, boulevard Royal
L - 2449 Luxembourg

The funds are traded ex-dividend as from December 3, 1993.

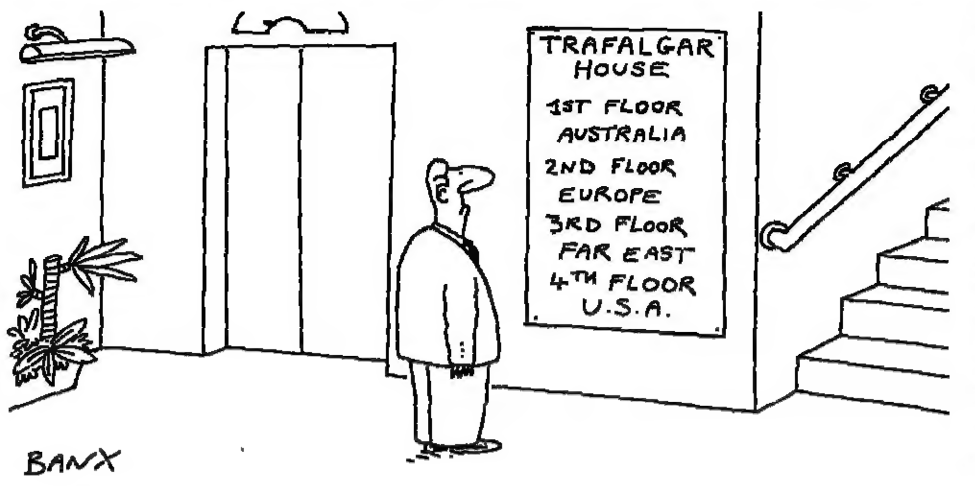
For any queries, shareholders are invited to contact Templeton Investment Management Limited - Edinburgh. Tel: 031-228 4506

The Board of Directors

TECHNOLOGY

Worldly wise in half a second

Trafalgar House has united its staff with an electronic global office, writes Joia Shillingford



Companies have to *move quickly to stay* profitable. They also need to be as international as their clients. It was these pressures which spurred UK-based *Trafalgar House* Engineering to streamline its world operations by building "electronic corridors" – high-speed computer networks – to link employees in 38 offices across 12 countries.

Since September, all the company's sites have been operating as one global office. As a result, Trafalgar House is able to offer its customers shorter working times on new projects – *through concurrent* or simultaneous engineering (with different stages worked on in parallel rather than in sequence) – and match the *worldwide scope of their businesses.*

The global office system (called Join), which runs on standard computers, gives staff at far-flung sites a versatile set of tools for working together. *From an on-screen menu, they* can select facsimile, electronic mail, computer-to-computer data transfer or a central database. A number of sites also use videoconferencing.

"The system enables us to *exchange information as if we* were communicating with someone on another floor of our building," says Graham Hill, general manager for oil and chemicals at the Melbourne, Australia, office of John Brown Engineers and Constructors, the industrial plant unit of Trafalgar House Engineering.

The idea was born two and a *half years ago when the company* was looking for a way to differentiate itself from competitors. It realised that it could win more business from *multinational companies if it* could act for them anywhere in the world.

It was in a favourable position to do this, because two years ago, after the acquisition of Davy Corporation, the ill-fated engineering contractor, it had 182 sites, some quite small. By contrast, most of its rivals had a small number of very big sites. The problem was that although Trafalgar *House Engineering had 25,000* staff in all, the different sites were like individual companies with individual characteristics.

The solution was to use *information technology to* enable staff to work in "virtual teams" – separated by distance but working as if under one roof. Strong backing came *from Ian Robinson, Trafalgar* House Engineering's chief executive, and Ted Bavister, then deputy managing director and since retired.

The first hurdle the company faced was that some of the technology *it needed* did not exist. To fill the gap, it identified a number of suppliers moving in the direction it wanted to go. And it started to develop new products with them. *For example, with 3Com,* the US computer networking company, it has developed a form of advanced data compression enabling data to be *sent through the Join network* more quickly and cheaply.

Helped by Oracle of the US, it has developed a large relational database that can han*dle concurrent engineering.* Called Engines, it gives all engineers on the Join network access to the latest information on the projects in which they are involved. They can call up word-processed reports and drawings *created using* computer-aided design (CAD) software.

Together with the database, Trafalgar House is using an electronic document manage*ment system developed* in-house. With this, an engineer in, say, Bangalore, India, does not need a copy of the Cad or word-processing software used in London to view a document created there. "This approach *has saved us a lot of* money in software licences," says Jim Noble, head of IT on the engineering side.

The database also makes 24-*hour working possible. For* example, an engineer in London can check and correct the work of a colleague in Houston using "redlining" (a form of on-*screen annotation) while the* engineer in the US is asleep.

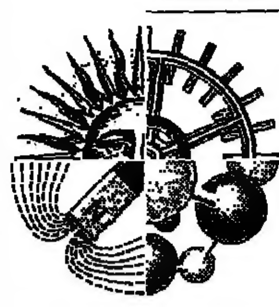
"Recently," says Hill, "we were doing the designs for a plant in Pakistan. Our client contacted us one day at 4pm saying he wasn't clear about a *technical detail. That night,* we sent an E-mail message to an expert in Houston asking him to look at the design and annotate it on the system. His com*ments were waiting for us the* following morning and we had an answer back on the Singapore-based client's desk before he got into work."

Other benefits of the database, which has cost Trafalgar House more than £10m to develop, include:

- Lower travel costs. Experts anywhere in the world can contribute to a project and are less likely to have to relocate.
- Reduced project costs. "Concurrent engineering allows pro*jects to be completed more* quickly," says Noble. "We managed to shave 20 per cent off the cost of developing one plant."
- *Fewer mistakes. Join* includes an "expert system" *which can automatically follow* a set of rules. For example, it can be made to draw supports on every pipe relative to its size and length. This saves time and reduces errors.
- Closer links with customers. Clients are seeing the benefits of Trafalgar's concurrent database and want it themselves. Time-to-market is critical for Merck, the big US phar*maceuticals group. So it is* using the Trafalgar system for concurrent plant development. The database helps it to write the initial specification and check that the project is going according to plan.

Another benefit, *according to* Hill, is that sites which are remote feel closer to the main office in London. The speed of the network helps to maintain *the illusion. The Join network* responds within half a second, even between London and Melbourne. "Any longer and users would not feel they were in the *same office," says Noble.*

Worth Watching · Della Bradshaw



Hollywood on a desk-top disc

Technology developed for the big Hollywood film studios *has now been shrunk to suit* the needs of companies which use desk-top publishing or applications that involve moving video images.

Microdisk, developed by Micropolis of Chatsworth, California, is a hard disc drive which delivers an uninterrupted flow of data, unlike many other hard discs. It was specially developed *for use in film studios, as* video images need a continuous data flow.

The desk-top version – a board and a disc drive – sell for less than £10,000 and can be used with a PC or *Macintosh.* Micropolis: *US,* 818 709 3300; UK, 0734 751315.

Core IT elements kept in-house

Companies are increasingly happy to outsource their information technology requirements. However, *contrary to popular* perception, they did not outsource core facilities but peripheral ones, according to the latest report, "UK IT *Outsourcing Survey: 1993",* from the PA Consulting Group. The report surveyed 230 UK organisations, 74 per cent of which had outsourced *some of their IT provision.* On average only 10 per cent of their IT budget was spent on outsourced services.

Although 55 per cent of the companies *cited cost savings* as a main reason for outsourcing, 30 per cent said there had been none. In some cases costs had even risen. PA: UK, 071 730 9000.

Dusty answer for plastic card fraud

The latest way of preventing plastic card fraud involves littering the card with dust particles during the production process.

Developed by Inkode of Virginia, Washington, and marketed by NBS, of Byfleet, Surrey, the process involves *dropping tiny quartz rods,* each with a reflective coating, into the plastic.

Although invisible to the human eye, the randomly distributed particles can be "seen" by radio signals *emitted from a scanner.*

Because the distribution of the particles is unique to each card, the identity of the card can be verified by passing it within 30 metres of the radio transmitter. *Inkode: US, 703 276 8000.* NBS: UK, 0932 354242.

Less scary body scanners

Traditional medical body scanners have often proved terrifying for small children, as the patient has to be transported into a tunnel. *Patients wired up to life* support systems, the obese and the claustrophobic have also had problems.

A breakthrough in magnet *technology has now enabled* Siemens to develop a magnetic resonance imaging *scanner which is open at the* sides, removing many of the problems.

The Magnetom Open uses a 'C'-shaped magnet which *curves over the patient's* body rather than a circular magnet. Developments in the gradient coils, which create the smaller magnetic fields, *and the radio frequency* equipment which transmits the information, have also contributed to the open shape of the scanner. Siemens: *Germany, 9131 840; UK, 0344* 396326.

Smoothing a bumpy journey

Anyone used to driving along bumpy country roads could be grateful for an infra-red device which monitors steering and vibration and adjusts the *car's suspension* to compensate.

Developed by the independent design consultancy Sira for Renault, the French car maker, the device measures the distance *the wheel is turned and the* speed. It then instructs the car's management system to adjust the suspension accordingly. Because the *mechanism uses light it* should last longer than mechanical measuring devices. Sira: UK, 081 467 2636.

Green innovation takes centre stage

Nancy Dunne on moves to create US export markets

During 12 years of Republican rule, it was a maxim in Washington *that the US* government's job was to obliterate industry regulation so that the market place could work its magic.

The Clinton administration disagrees. Carol Browner, the environment protection chief, argues that strong standards at home will force industry to flex its creative muscles and that in turn will make it more competitive abroad.

The US was the first nation to regulate stringently electric power plant emissions with standards for new boilers in the 1970s. American manufacturers dominated the market for scrubbing technologies until Japan and Germany adapted tough standards of their own, according to the US *Commerce Department.*

There were other departures from "old thinking" available when Ron Brown, the commerce secretary, and Browner recently *announced* an environmental technologies export strategy. The administration was leaving behind decades of debate over industrial policy which has confined government efforts to "an ideological box", said Brown.

The US government-industry partnership will go beyond the handing out of billions of dollars a year in research and *development grants;* the administration is also "reinventing" a government structure which better serves its private-sector "customers".

An *Environmental Technologies* Trade Advisory Committee will provide advice on expanding environmental technology exports to the highest levels of the administration, while the federal government also works with local companies, associations and interested groups to form regional *environmental export councils* around the country.

An Interagency Trade Policy Co-ordinating Committee will identify markets, create export marketing plans and set up "one-stop shops" which will gather and disseminate data about export markets. Four regional one-stop shops will open next January in Miami, Los Angeles, Chicago and Baltimore.

The Environmental Protection Agency will promote and accelerate private-sector commercialisation of environmental technologies. It says it will restructure its regulation to reward rather than penalise users of innovative technologies rather than promoting reliance on existing and widely accepted products.

Mexico – where \$6bn-\$7bn (£4bn-£4.6bn) is to be spent on environmental clean-up in the coming years – will be the first target of the export strategy.

The current global market, worth \$200bn-\$300bn for environmental goods and services, Brown said, would soar as high as \$600bn by 2000. Although the US could capture "a significant piece" of the market, it faces intense competition from Japan and the EU, whose industries are "backed by a range of co-ordinated and *focused* government programmes".

Bill Haney III, one of the founders of Molten Metal Technology of Waltham, Massachusetts, sees *"extraordinary* opportunity" in the initiative and notes striking changes in US philosophy. "Historically, the executive branch thought environment and economic development were antithetical," he said. "Now, it is under*stood that the US needs a leading* edge in regulation to lead the industry. As we try to meet standards, we'll create new products."

He was *also struck by the* "self-confidence and greater sense of mission" among presidential appointees, who are working together to maximise US *competitiveness* – in this case the commerce, energy and environmental agencies. There is no sign of the ego problems, turf wars and power trips which plagued past administrations. Founded in 1989 by a group brought together by the Massachusetts Institute of Technology, Molten Metal designs and builds plants to recycle hazardous wastes into usable products. It has 150 employees and expects to double that number next year.

Haney said the company has numerous opportunities in the US, but Mexico, which wants to leapfrog to the cutting edge on environmental clean-up, is "the most exciting new market in the world".

Joan Gardner, head of Applied Geographics of Boston, has a two-year-old company with 10 employees. The company creates digital environmental maps used by utilities, planners and local governments.

After visiting Mexico City with a state trade mission, she has entered a joint venture with *Grupo Gutsa and North*west Water of the UK to maintain and improve part of the city's sewer system.

She is impressed with the administration's support for small businesses. "We knew there was a market out there, but we didn't really appreciate the breadth of it," she said. "This permits us to become part of the team."

هكذا من الأصل

Detail from 'An Amorous Encounter' by G.D. Tiepolo at Hazlitt, Gooden & Fox

Inside the palazzos of Venice

Susan Moore reviews two exhibitions of Venetian furniture and drawings

You see them in the conversation pieces painted by Pietro Longhi and his imitators. Arm chairs and stools with carved cabriole legs, rather French in appearance. Murano glass mirrors and little *bombé* commodes, all gaily painted in a palette of blues, pinks, cream and grey. In reality, 18th century Venetian painted furniture is much harder to come by. Victims of poor quality local materials – soft wood such as pine – and the devastating humidity of the Serenissima, relatively few fine pieces have survived.

It has taken the London-based private dealer Patrick Syz some 15 years to gather together the small but choice group currently on show in "The Spirit of Venice: Three Centuries of Paintings and Furniture". The exhibition offers a rare opportunity to marvel at the light-hearted vitality and flights of fancy of the Venetian cabinet-makers – and at their abysmal craftsmanship. Open an ill-fitting door and be appalled by the finish – or lack of it – and the crude and disfiguring locks and hinges. Venetian furniture is admirable for its effect rather than its execution.

In the hands of the Venetians, the French rococo style was transformed almost beyond recognition. Once over the Alps, the elegantly swelling *bombé* commode took on a distinctly voluptuous, top-heavy line. The extraordinarily sculptural high-chested tabernacle here, probably made for a private chapel, knows no flat surface save the *faux* marble plinth on which to stand a Madonna.

Arm chairs are altogether more accommodating: light in construction, comfortable and lacking in any pretention. Decoration is more idiosyncratic. Only rarely does one find the same treatment twice. Trophies of war in rich lapis blue adorn the more refined of the pairs here. Little bunches of flowers and ribbons of lace are strewn carelessly across an elaborately carved and pierced Bordeaux-red mirror frame. Its arms and candleholders are carved flowers, bells of red, yellow and orange blossoming out from green stems.

While the French inset porcelain plaques into their grandest pieces, a corner cabinet here is decorated with *faux* blue and while Delft with *Chinoiserie* figures and birds in landscapes of temples, bridges and willows. There are no opulent ormolu mounts but gilded *pastiglia*, a kind of paste moulded into scrolls and flowers. Once again, the top is *faux* marble.

The quality of the painting at its best has prompted some furniture historians to attribute pieces to the likes of Tiepolo and Guardi, forgetting perhaps that the painters would have belonged to different guilds. Certainly the outstanding cabinet here seems to have been decorated after rather than by the painter Zocchi. This is a *parrucchiera* or lady's wig chest, its elaborate cartouches painted with charming rustic scenes of shephardesses, bird-catchers and *fêtes galantes*. One of the scenes copies a print by Zocchi. If it were based on his original conception, the scene would be painted in reverse.

But the exhibition also includes a piece of decorative painting, an overdoor perhaps, by Giambattista Tiepolo himself. This is a rare *doraille* – rather than *grisaille* – a "Deborah and Barrach" painted in gold against a dark ground. In a lighter vein is a caricature of a man holding a tricorn hat, one of a number of drawings to supplement the show. In pride of place hangs an allegory of "The City of Venice Adoring the Christ Child" by that superlative colourist Veronese. Venice is resplendent in rich brocades, a beguiling lion crouching at her side.

The spirit of Venice is also manifest at Hazlitt, Gooden & Fox which presents another select small show, this time of 18th century Venetian drawings. The larger part comes from the collection of the Duc de Talleyrand. Even in 20 or so sheets, most aspects of life and art in the Serene Republic appear, from a large and sparkling Guardi of a regatta on the Grand Canal and an unusual Canaletto of a market on the Riva degli Schiavoni, to Giandomenico Tiepolo's bold comedies of manners.

For sheer technical brilliance, Giambattista Tiepolo's draughtsmanship is second to none. Two studies for ceiling frescoes are thrilling examples of what one authority has dubbed his flying pen.

No Venetian drawings show seems complete without a Punchinello from the *Commedia dell'Arte*. He is to be found in Novelli's fine pen and ink drawing of a Venetian masked ball, sporting the traditional costume of hook-nosed mask and sugar-loaf hat and wielding a fork and a pot of the favourite food of Punchinellos – gnocchi. Both galleries show us works of art worthy of any museum.

The Spirit of Venice (Syz, 94 Eaton Place, SW1) and *Eighteenth Century Venetian Drawings* (Hazlitt, Gooden & Fox, 38 Bury Street, SW1) continue until December 17

Opera/**Max Loppert**

'Poppea' in concert

This month Londoners find themselves tempted by an extraordinarily rich spread of concert opera: Berlioz's *Troyens* at the Barbican, Tchaikovsky's *Iolanta* at the Albert Hall, and now, for two performances only, Monteverdi's *Incoronazione di Poppea* at the Queen Elizabeth Hall.

Opera-in-concert proves sometimes a disappointment, when score-bound singers in evening dress seem to do no more than stand and deliver, so that the full range of the medium seems crudely narrowed. But when heights of expressive intensity are reached such as those revealed on Wednesday, the form seems to realise a musico-dramatic ideal – pristine, intimate, all-of-a-piece – seldom even adumbrated in the opera house.

But then, opera-in-concert is hardly an apt generic categorisation of this particular event. In common with the splendid evenings of Mozart opera – *Idomeneo*, *Tito*, recently *Figaro* – masterminded by John Eliot Gardiner and his Monteverdi Choir and English Baroque Soloists in the same hall, Gardiner's *Poppea* struck an exact balance between "staging" (employing here carefully chimed entrances and exits, platform movement, an elegantly spare use of chairs) and concert-hall concentration on the music.

In Peter Holman's specially prepared edition (a careful new scrutinising of available sources) a sparing group of instruments has been prescribed: strings, continuo keyboards and lutes, two harps, none of the wind-and-brass sonic aggrandisement that marked Nikolaus Harnoncourt's bloated burlesquing of *Poppea* at this year's Salzburg Festival. The double-headed layout of accompanying forces provided a natural arena for the activity of voices and, when necessary, bodies; Gardiner, seated on the right, did not so much conduct as, with an occasional flexing hand, shape and direct the flow of notes and words.

For this reason, and because the cast was chosen for its ability to focus pure vocal sound on the "organic" delivery of the text, it all amounted to a *Poppea* faster-moving, more nakedly affecting than any I have previously encountered. It was still not ideal: I live in hope of one day hearing an entirely Italian-speaking Monteverdi cast turn the notion of *recitar cantando* from studied imitation to full-coloured authenticity. Here that was most spontaneously demonstrated by the Italian Seneca (the noble Francesco Ellero d'Artegna), Cupid (the delightful Marinella Pennicchi) and Nurse (the countertenor Roberto Balconi), and the part-Italian Englishman Mark Tucker in minor roles.

But the beauty, clarity and prime forcefulness achieved by Sylvia McNair, exquisitely cool in the title role, Michael Chance (Otho), Anne Sofie von Otter (Octavia) and Bernarda Fink (who made Arnalta's lullaby the opera's still centre) were not at all far off the "real thing". Dana Hanchard, handsome of presence, a cultivated musician, proved a shade too clouded of timbre for a convincing soprano-pitch Nero. Catherine Bott's warm, spirited account of Drusilla was sometimes intonationally peccable.

Those and other, minor cavils aside, this was an awesome, chastening occasion. What a terrifying opera *Poppea* is – musically ravishing, many-sided, lightning-direct, dramatically pitiless in its survey of human affections and human ambitions. DG Archiv is recording the show "live": for those unable to squeeze into the QEH, either on Wednesday or this coming Saturday, this will afford some small consolation.

Sponsored by PPP and BSIS

Ballet/**Clement Crisp**

'The Nutcracker' – in disguise

Well, here it is again. Wearing a comic mask and pretending to be different – "What, me? A Nutcracker? Oh, no, I'm something completely new!". The answer to all of which is, of course "Nuts!".

But at least the thing has made an effort with its disguise. Matthew Bourne's *Nutcracker* was created for his Adventures in Motion Pictures troupe, and I reported on it from last year's Edinburgh Festival where it was part of an Opera North double bill including (as in the first staging in 1892) Tchaikovsky's opera *Iolanta*. It is a merry transformation for this season of goodwill – though my own goodwill towards *Nutcrackers* is about the same I would offer to one of those ostrich-sized deep-frozen turkeys that lie menacingly in supermarket freezers.

Bourne's witty trick is to transpose the action to an orphanage, run by the vile Dr Dross. His wife is matron – one having the heart-warming charm of Stalin. Their children, Fritz and Sugar, are spoiled brats. The orphans are pathetic, and Bourne gets theatrical mileage from the sincerity with which his cast conveys this. Clara (played with tremendous sincerity and gusto by Etta Murfitt) is the leading orphan, and her love for the Nutcracker (more Chippendale toy-boy than toy) is shown as a piece of Mills and Boonery: despite setbacks, she gets him at last.

The staging is everywhere resourceful. Bourne's orphanage is a nicely grim location for a grotesque party, which is well worked out to the music. The mouse-battle is a dormitory pillow fight: the snow-scene a skating party in which Ally Fitzpatrick's Sugar (Sonia Heinje to the life) appropriates the Nutcracker-hunk (Andrew George). The second act Kingdom of Sweets is a collection of noxious goodies – liquorice, marshmallows, three belligerent punk gob-stoppers – which Bourne handles very well. And after the final duet, which has celebrated the union of Sugar and the Nutcracker, Clara awakens back in the orphanage, and we are given a happy ending as she finds the Nutcracker in her bed, ready to elope with her.

So far, so amusingly good. The acting abilities of AMP respond well to Bourne's demands; the staging is lively, agreeably sardonic, and looks delightful in Anthony Ward's clever designs; the smaller dance numbers (in which *Nutcracker* abounds) are jolly revisions of the hallowed old routines. I missed, though, choreography to respond to the two greatest moments in the score, the snow-flake waltz and the grand pas de deux. Bourne misfires with both. The skating party in the snow has a cursory air. The grand pas de deux has always had music wholly unlikely for its purpose – the final celebration in a children's ballet. We hear Tchaikovsky at his most hauntingly melancholic and, as we now know, at his most personal. Roland John Wiley has identified the metric shape of the descending scale (which is the melodic device of the duet) as following exactly the prayer "And with the saints give rest" which is part of the Russian Orthodox funeral service. Wiley points out that as Tchaikovsky worked to complete the score – with some difficulty – he heard of the death of his beloved sister. The gravity of the music is explained, and it demands the choreographic nobility that Ivanov gave it in the first production. Bourne is too frivolous, his dancers not grand enough.

These objections apart, the staging is a happy one, given with enthusiasm by its cast. The young may be taken to it with certainty that they will be entertained. The score, in Rowland Lee's sensitive edition, is well played by the New London orchestra.

The Nutcracker is at Sadler's Wells Theatre until December 18. Production sponsored by The Kobler Trust.

Theatre/**Alastair Macaulay**

A first class 'School for Wives'

At the still core of Jonathan Kent's excellent new Almeida production of Molière's often uproarious 1662 comedy, *The School for Wives*, is a beautifully tranquil performance by the young actress Emma Fielding. She plays Agnès, the girl whom the cynical middle-aged Arnolphe has had reared in perfect ignorance. He believes that most women are successfully adulterous because they are clever; and that he will avoid becoming a cuckold by marrying this girl, of whose lack of cleverness he is assured. But Agnès, from her window, has seen Horace; the two have fallen in love; and . . . .

Agnès is not a large role, but Fielding invests her with wonderful radiance and simplicity. Strength of character, too. ("You can keep someone ignorant but you can't keep them stupid," Fielding has remarked about the role in a radio interview.) When she argues with Arnolphe, her calm common sense has more force than his energetic duplicity. We are made to feel powerfully that his selfish schemes are a crime against nature itself. Standing wide-eyed and speechless at her window (a position which Jonathan Kent makes the chief motif of his production), she becomes a symbol of true innocence. All those who loved Fielding's performance as the child prodigy in Tom Stoppard's *Arcadia* this year should see her in this role; and one hopes to see her soon in larger parts soon.

But so much about this production is marvellous. It is a pleasure, even before the start, just to look at Peter J. Davison's set. The little French 17th-century two-storey house at its centre, and all that surrounds it, are a précis of old Paris, in ravishing sub-terracotta hues. Peter Mumford's lighting makes the different times of day register to fine effect – and, when rain falls (before the play and throughout the penultimate scene), that looks gorgeous too.

Alastair Muir

Emma Fielding: beautifully tranquil as Agnès

The play's main role, and the leading agent of its comedy, is Arnolphe. He is a hilarious oxymoron: a clever fool, a daft cynic, a self-defeating self-server. Ian McDiarmid (who is, with Kent, the Almeida's joint artistic director) catches all this in a performance of terrific virtuoso energy. His dynamic range, the musicality of his pacing, the inventive characterfulness with which he listens: these become lynchpins of the whole production. A pity that, as the play proceeds, he goes over the top a few times – notably when overcome by happy startlement as he listens to Horace's trusting plan to place Agnès back in his (Arnolphe's) own power. But he always shows that Arnolphe's character is essentially destructive, and he often makes this funny – as when, unwittingly, he strangles his two servants; or when he bangs his own knees together in a spasm of rage.

Kent uses the Richard Wilbur translation, a perfect example of how to make rhyming couplets (pentameters) wittily urbane without milking laughs from the rhymes themselves and without sacrificing the sense of basic good manners that underlies the play. And Kent's direction brings out all the panache and brio in the play, which runs without an interval for 90 minutes. If you know Wycherley's *The Country Wife* (1675), a more thoroughly funny play, you can see how much it takes from *The School for Wives*, but Kent shows admirably that Molière's play is actually the less cynical and more humane of the two.

All the supporting roles (with the exception of the notary, overdone by Charles Lewsen) are delightfully played. Perhaps my favourite feature of all is Carol Macready's performance as the selfish maid Georgette: I love the way a scheming smile gradually illumines her fat, silly face, and the slatternly way she uses a Wolverhampton accent. But no, perhaps my favourite feature is the thick-rimmed pair of lunettes that Davison has given her to wear. They come straight out of period French theatre designs, by the way, and they perfectly give Georgette an air both blinkered and goggling.

At the Almeida Theatre, N.1, 071-226-7432. Until January. Sponsored by the Laura Pels Foundation.

The 1993 ABSA awards

Yesterday at the National Theatre the Association for Business Sponsorship of the Arts held its annual prize giving, at which companies that had done their bit, and more, in helping the arts in 1993 picked up polished pieces of aluminium in recognition. Of course the awards are sponsored, by Arthur Andersen.

The fact that the Princess of Wales was making one of her diminishing public appearances was certainly a draw, but this is the occasion when hundreds of captains of industry mix with hundreds of arts administrators to mutual gratification.

The winners were: for British art overseas: Rover Deutschland, for backing the "Festival of Music from Great Britain" in Germany. For the commission of new art in any medium: Scottish Hydro-Electric, nominated by the Traverse Theatre. For corporate programme: Manchester Airport, friend of the Hallé, the Royal Exchange, Opera North, and more. For first time sponsor: Halifax Building Society, which supports Eureka! children's museum in Halifax. For increasing access to the arts: BP Chemicals, nominated by Sculpture at Magam. In recognition of long term commitment: W.H.Smith, sponsor of English Shakespeare Company, Glyndebourne, the Poetry Society, Rambert, and more. For a single project: Guinness Northern Ireland, for the Belfast Festival. For sponsorship by a small business: Robert Golden Pictures for helping Opera Circus. For youth: RTZ, ally of the Guildhall School of Music and Drama.

There are three other prizes. The Elf Award for the arts organisation making best use of sponsorship went to Book Trust (nominated by Forward Publishing) while the Arthur Andersen award for Business in the Arts adviser of the year was won by Lorraine Trainer of the London Stock Exchange for her work at Serpentine Gallery. The Times Critics Award went to the Donmar Warehouse.

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

The Texaco-Metropolitan Opera radio broadcasts may be an institution in the United States, where they began in 1940, but they are only now becoming known in Europe. Thanks to satellite transmission, these live relays from the Met can be picked up on 25 European stations. Opera fans can enjoy some of today's best singing (not to mention the excellent Met orchestra), without having to watch the Met's inert stagings.

The time difference means the Saturday afternoon broadcasts from New York fit perfectly into the main evening slot in Europe. Judging by a handful of transmissions earlier this year, the quality of reception is excellent. The only pity is that the distinctive spoken introductions for the American audience have to be overlaid by local European announcers.

Tomorrow's transmission of Dvorak's Rusalka marks the start of a season of 20 operas. With a cast headed by Gabriela Benackova, the broadcast can be picked up on BBC Radio 3, Bavarian Radio, North German Radio and RIAS Berlin, as well as in the Netherlands, Italy, Portugal, Sweden, Iceland, the Czech Republic, Hungary, Poland, Slovenia and Russia.

The BBC, Netherlands Radio and Slovene Radio are taking the entire season, which includes Il barbiere di Siviglia starring Thomas Hampson on Christmas Day, Les Troyens on New Year's Day, I Lombardi with Pavarotti on January 15, Elektra with Hildegard Behrens on January 22, Death in Venice on February 26 and Otello with Domingo on April 2.

■ EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dawn of the Golden Age, Northern Netherlandish Art 1580-1620: 350 works offering a magnificent survey of the period around 1600, from the dramatic paintings of Cornelis Cornelisz van Haarlem and Abraham Bloemaert to the more subtle portrayals of Pieter Lastman and Hendrick Avercamp. The exhibition, one of the Rijksmuseum's most ambitious ever, also includes prints and drawings by Hendrick Goltzius and Jacques de Gheyn, as well as silver, tapestries, glass, textiles and furniture. Ends March 6. Closed Mon

Van Gogh Museum Georges de Feure and Félix Bracquemond: retrospective of the Dutch Symbolist painter and the late 19th century French printmaker. Ends Feb 13. Daily

Stedelijk Museum Donald Judd: sculptures from Dutch public collections. Ends Jan 23. Daily

BARCELONA

Museu Picasso Picasso and the Bulls. Ends Jan 9. Closed Mon

Fundació la Caixa Portraits from the Court of Versailles. Ends Jan 30. Closed Mon (Centre Cultural, Passeig de Sant Joan)

BERLIN

Schloss Charlottenburg The First Europeans: artefacts of archaeological, scientific and artistic interest from eleven countries, painting a picture of early European civilisation. Ends Feb 18. Daily

Museum für Ostasiatische Kunst Early Chinese Bronzes from the Klingenberg Collection. Ends Jan 9. Closed Mon

Museum für Islamische Kunst Imaginary Animals in Islamic art. Ends Jan 31. Closed Mon and Tues

BONN

Kunst- und Ausstellungshalle Gerhard Richter (b1932): 100 works by the leading postmodern German artist. Ends Feb 13. Closed Mon

COLOGNE

Josef-Haubrich-Kunsthalle From Malevich to Kabakov: the Ludwig collection of 20th century Russian avant-garde art. Ends Jan 2. Daily

DESSAU

Bauhaus Bauhaus Artists: 200 paintings, drawings, prints and sculptures by artists associated with the influential school which Walter Gropius founded in Weimar in 1919 and moved to Dessau in 1925. Ends Jan 30

FRANKFURT

Jahrhunderthalle Hoechst Giorgio Morandi: paintings, watercolours and drawings by the early 20th century Italian still-life painter. Ends Jan 23. Daily

Städel Rosso Fiorentino's Madonna with the Child John. Ends Jan 30. Closed Mon

KASSEL

Documenta-Halle Stalinist Art: a retrospective of 20th century Soviet art, on loan from Russian museums, and including many paintings not exhibited for 40 years. Ends Jan 30

LONDON

Victoria and Albert Museum Art of Holy Russia. Ends Jan 8. Daily

Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent 1449-92. Ends Jan 23. Daily

Tate Gallery Ben Nicholson. Ends Jan 9. Daily

Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. Daily

British Museum Drawings from Chatsworth. Ends Jan 9. Daily

Hayward Gallery Roger Hilton. Ends Feb 6. Daily

National Portrait Gallery Thomas Eakins, 19th century American portraitist. Ends Jan 23. Daily

MADRID

Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15.

Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon

Centro de Arte Reina Sofia Vienna 1900. Ends Jan 10. Agnes Martin retrospective. Ends Feb 12. Closed Tues

MANNHEIM

Reiss-Museum The World of the Maya: 300 examples of early Indian art from Central America before the Spanish conquest. Ends Jan 16. Closed Mon

MUNICH

Kunsthalle der Hypo-Kulturstiftung Winterland: 80 paintings by Norwegian painters of the 19th and 20th centuries. Ends Jan 16. Daily

Staatsgalerie moderner Kunst Etta and Otto Stangl Collection: 260 paintings Klee, Jawlensky and other 20th century German artists. Ends Feb 13. Closed Mon

Villa Stuck Franz von Stuck, Painter-Prince: more than 120 paintings, drawings and sculptures by the flamboyant Munich artist, who taught Kandinsky and Klee and painted Jugendstil-Symbolist portraits of woman as temptress. Ends Feb 6. Closed Mon

Lenbachhaus Ian Hamilton Finlay. Ends Jan 9. Closed Mon

Akademie der schönen Künste Henri Michaux (1899-1984): 130 paintings and drawings by the French poet and artist. Ends Jan 9. Closed Mon

Haus der Kunst Resistance: an examination of the artist's role in contemporary culture, with work by eleven artists from Germany, Russia and the United States. Ends Feb 20. Closed Mon

NEW YORK

Metropolitan Museum of Art Art of Medieval Spain. Ends March 13. Master Drawings of the Hudson River School. Ends Dec 26. Closed Mon

Guggenheim Museum Roy Lichtenstein. Ends Jan 16. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Joan Miro. Ends Jan 11. Robert Ryman. Ends Jan 4. Closed Wed

PARIS

Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)

Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: the three monumental versions of the Dance ordered by Dr Barnes for the principal gallery of his foundation in Merion, Pennsylvania, are shown for the first time side by side, together with preparatory sketches and photographs. Ends March 6. Closed Mon (11 ave du President Wilson)

Louvre The newly-opened Richelieu wing completes the major part of a project to transform the former royal palace into the Grand Louvre, doubling previous exhibition space. It offers a dazzling setting for the collections of Islamic art, medieval art (including the Treasure from the Abbey of Saint-Denis), Rembrandts and Rubenses, and French paintings from the 15th to 17th centuries. Three covered courtyards provide the most dramatic innovation. Closed Tues

Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon

ROME

Palazzo dei Conservatori Rediscovering Pompeii: 200 objects, many from recent excavations, including the re-creation of an entire room of one of the grandest villas. Ends Feb 12. Daily

Calcografia Antonio Canova and Engraving: new light is thrown on the Venetian sculptor, showing the importance he attached to the quality of the numerous engravings made of his sculptures. Ends Jan 6. Daily (Via della Stamperia 6)

ROTTERDAM

Museum Boymans-van Beuningen Italian Paintings 1300-1500. Ends Feb 27. Closed Mon

STUTTGART

Neue Staatsgalerie Henri Matisse: drawings and gouaches from the 1940s and 1950s, including the 158 drawings for the series Themes and Variations. Ends Feb 20. Closed Mon

VIENNA

Albertina French Drawings from Clouet to Brun: 150 works from the Albertina's collection of 16th and 17th century French art. Ends Jan 23. Daily

Jüdisches Museum Jewish Vienna: a cultural history of Jews in the city. Ends May 15. Song of Songs: abstract paintings by avant-garde German artist Heinz Mack based on motifs from the Song of Solomon. Ends Feb 13. Closed Sat

KunstHaus Joan Miro: 120 sculptures. Ends Jan 24. Daily

WASHINGTON

National Gallery of Art The Age of the Baroque in Portugal. Ends Feb 6. John James Audubon: Birds of America watercolours. Ends Jan 2. Cesarini Venus: Giambologna's marble masterpiece (c1583) is the centrepoint of an exhibition on the female nude. Ends Jan 17. Daily

Hirshhorn Museum Willem de Kooning. Ends Jan 9. Daily

Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon

ZURICH

Kunsthaus Joseph Beuys. Ends Feb 20. Closed Mon

Respect for the elderly

Robert Graham assesses the influence of the independent Bank of Italy on its centenary

Behind his desk, Mr Antonio Fazio, governor of the Bank of Italy, has placed an oil painting of the martyr Saint Sebastian being pierced by arrows.

Mr Fazio, who took over as governor six months ago, jokes: "It reminds me of all the agonising problems I face."

However, this week the 57-year-old expert in monetary theory is momentarily casting aside his problems to celebrate, along with some 40 other central bank governors, the centenary of the Bank of Italy.

The bank, which started life as a joint stock company and which only became the sole bank of issue in 1926, has reason to celebrate.

Its imposing structure in the heart of old Rome was conceived as the "strongbox of unified Italy". This is what it has been, and still is: the one institution in modern Italy to have preserved its dignity and reputation. Alone during the recent wave of corruption scandals, the bank has stood aloof and untainted.

In tribute to the bank's special status, Mr Carlo Azeglio Ciampi, governor for 13 years, was chosen as prime minister in May. He was accepted as the sole figure with the necessary authority and impartiality to govern Italy in a difficult period of political and economic transition.

Since the early 1980s, by agreement with the government, the bank has gradually divorced itself from the Treasury, so that today its independent status is similar to that of Germany's Bundesbank.

Today, both formally and legally the governor decides interest rates and is not obliged to underwrite the Treasury's financial needs. "Monetary financing of the treasury has been abolished, de facto since 1990 and by law just a few weeks ago," says Mr Fazio. The government, he insists, is at arm's length. "No representatives of the government participate in the bank's decisions on monetary policy, nor do these decision require formal ratification by the government."

The moves towards independence reflect the trend in European central banking. But in the Bank of Italy's case, independence also represented a deliberate distancing of itself from its role in the 1960s and 1970s under Mr Guido Carli (1960-75) and Mr Paolo Baffi (1975-79) when the bank acted as adviser to the government. Mr Carli in particular saw the bank as a clearing house for power struggles between members of the nation's ruling class, according to economic historian Prof Vera Zamagni.

The price of such influence was that the bank became the scapegoat in 1979 for a credit scandal in state industries which led to politically-inspired judicial prosecutions. Mr Baffi, the governor, and his deputy, Mr Mario Sarcinelli, were forced to resign. Although both men were subsequently exonerated in full, the incident bruised bank morale.

But if "divorce" from the treasury has brought independence, that has not necessarily been translated into greater authority outside the spheres of monetary policy and banking supervision. "It is by no means certain that independence is synonymous with influence," says one senior member of the bank.

During the last government of Mr Giulio Andreotti from 1989-92, the Bank of Italy had a free hand with monetary policy and ministers accepted its strict adherence to fixed exchange rates in the European exchange rate mechanism, despite protests from industrialists. Yet no amount of advice from Mr Ciampi about the public sector deficit and the increasing mountain of national debt had any effect on the politicians who controlled fiscal policy. As prime minister, Mr Andreotti never had a single formal meeting with Mr Ciampi in three years.

In contrast, first with the government of Mr Giuliano Amato and then with the Ciampi administration, the relationship has been both warmer and more constructive. Mr Fazio, for his part, has not been intimidated by the prospect of lecturing his former boss. The 1994 austerity budget, he recently told parliament, does not go far enough in attacking the deficit. This could well be a point of conflict with future governments.

Mr Fazio sees the bank as having a strong educative function in economic policy, using the full resources of its large research department. Arguably this is the most important economic think tank in the country and working there has become a compulsory rite of passage for bank high fliers. The bank always housed a wide intellectual range and never discriminated against marxists. Today, the prevailing flavour may be monetarist but labels are disliked.

Mr Fazio is a devout Catholic who, for a central banker, is surprisingly open about his social conscience. He has been outspoken on unemployment. "The objectives of the Bank of Italy reflect the ultimate goal of defending the external and above all the internal value of the lira in a setting of orderly economic activity and growth. For Italy, in particular, this means defending the economically vulnerable and protecting savings," he says.

So far the new governor has had an easy ride on foreign exchange policy with the lira floating since September 1992. He is not prepared to hazard the future. "As regards the lira's floating, the problem is not so much deciding on the lira's re-entry into the ERM at some stage, as deciding what that mechanism is or should be."

Critics fault the bank for complacency over its own remarkable record that allows officials to live too much in an ivory tower, and not sufficiently attuned to the fast-moving world outside. The bank was, for instance, stung by criticism that it should have foreseen and prevented the collapse of the Ferruzzi empire, Italy's second biggest private company, because of the information on its central credit register.

But the bank has made an important contribution the development of modern Italy, especially after the second world war. And, as Italy now moves towards a general election early next year and the disappearance of an entire political system, an added burden falls on the bank to ensure financial stability and economic continuity.

The governor himself occupies a unique position in Italy being the sole institutional official not directly appointed by the government and whose term of office is indefinite. This means Mr Fazio could be the only institutional figure to span the full period of the transition: an uncomfortable position for the governor of the bank whose role in economic policy was described by his predecessor, Mr Carli, as like "driving a car with only an accelerator and a brake".

Reuter
Antonio Fazio of Bank of Italy: keeps government at arm's length

Joe Rogaly

On a wing and a prayer

The Church of England, established by law, gains no advantage in Heaven from its association with the Crown of the United Kingdom. I discerned this by listening to Archbishop Trevor Huddleston, then Bishop of Masasi, some 30 years ago. His concern, while we walked together in the hot African dust, was the salvation of mankind as an act of worship of God, not a free pass to visit the prime minister or the Queen.

Since those heady days I have been a consistent disestablishmentarian. The case for separating the British state from its official church is best argued on its merits. These have been considerable since ... let us say since attendance at public worship ceased to be compulsory. In a week in which parliament has ceded the sabbath to Mammon, by allowing virtually unrestricted shopping on the seventh day, the case seems overwhelming. Christian ayatollahs may have been in the ascendancy in a quasi-theocratic state when Queen Elizabeth I assumed the title of Supreme Governor of the church, but that was nearly half a millennium ago. Queen Elizabeth II may well be the last to hold this purely nominal office.

None of the above has anything to do with the personal life of the Prince of Wales. That is an after-dinner topic – unavoidable, but not serious. It is a phase through which we must all pass before growing up. The national mind has been drugged by the ingestion of too many tabloids. Give me a lightly grilled sole, a little spinach and a Havana of reasonable purity and length, and after devouring the first two I'll puff on the third while competing in scurrility with everyone else. But that is an abuse of the spirit. Even a long-standing agnostic like myself cannot be proud of it. We should focus on the church.

First, let me clear away one further, more fundamental, distraction. I have argued here before that the British polity would be healthier if the formal apex of power was the will of the people, protected by a declaration in a written constitution. That would remove the opportunity open to the executive to abuse its authority by affecting to act on behalf of the monarch. Thus democratised, the head of state could continue to wear a crown, if that is what the populace wanted. This topic, like royal behaviour, should be detached from the thread of the argument about disestablishment.

Some members of the clergy register near panic at the prospect of being reduced to the status of priests in a minority Christian sect

Pause a moment, to tick off what I hope is agreed so far. There is only one heir to the throne. He is Prince Charles. End of story, although not the end of gossip. There are many churches, mosques and synagogues in Britain; only one has been so bound by history in seductive ermine that it is unable to concentrate on its true religious function, for fear of disconnection from the political process. Some of its ministers register near panic at the prospect of being reduced to the status of priests in a minority Christian sect.

These long-standing fears must be felt all the more acutely at present. Financial mismanagement has diminished the Church of England's earthly riches, and obliged its parish clergy to scratch around ever more piteously for fresh sources of support. The decision to permit women to become priests has split the church. Some recalcitrants are running off to Rome while others stay behind in miserable defiance, or plain confusion. An explosive debate about disestablishment could damage this fragmented church beyond repair.

We disentanglers can wait. Granted, the present may not be an ideal moment. Yet the truth is that separation of church and state is proceeding in the usual English way: by fits and starts. The prime minister, acting on behalf of the Queen, appoints the bishops – but does so from a short list prepared by the church. The House of Commons, in which heathens appear to be the majority, votes on matters such as the ordination of women – but follows the general synod of the church. The next monarch may be "defender of the faith" but not "supreme governor". It is progress, but we are still stuck with 26 Anglican bishops in the House of Lords.

None of this changes the essence of the case. That is best put as a question. At a time when many people, particularly young people, are searching longingly for spiritual guidance, what on earth are the Anglican disciples of Jesus Christ doing in their centuries-long embrace with the descendants of Caesar? Surely not merely preserving their position? It may be that in the coming century the vacuum left by the materialism of the 20th is filled by institutions other than the Church of England. True believers, rising above institutional concerns, should welcome that.

A more enduring future may lie in store for the world-wide Anglican communion, whose member churches were founded by missionaries who risked their lives to preach the gospel, or by British settlers in what became the white Commonwealth, or by America's Episcopalians. There are Anglicans in India, and in Japan, and of course in the Church of the Province of South Africa. Most of the world's 70m Anglicans are black Africans. This international community would be strengthened if its mother church ceased to be part of the British state. The opposite view is expressed by Michael De-la-Noy, press officer to the archbishop of Canterbury in 1967-70. In his recent book, *The Church of England* (Simon & Schuster, £16.99), Mr De-la-Noy notes that establishment "provides links with the Foreign Office, so essential to the Church's dealings with governments overseas". He must be right about the institution, but could be wrong about its purpose.

It would be naive to insist that that purpose, which is in essence to sustain a transcendental view of the universe, can only be served by volunteers uniting in worship. The influence of both Islam and Christianity was expanded by the sword. Crusades – and, we must hope, jihads – are, however, a thing of the past. The task, for some exalted individual, some doctrine, some institution is to find 21st century ways of keeping human faith alive. Lambeth Palace, which sits across the Thames in mock-equilibrium with the Palace of Westminster, does not seem a likely source of such inspiration. The original 12 disciples would have found the link incomprehensible. The C of E should float free. It might then save itself and – who knows? – some of the rest of us.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Power: real costs of gas and pool prices

From Mr Anthony Baker

Sir, May I be allowed to moderate your editorial comment ("Breaking the power duopoly", December 7) that coal-fired power stations "have higher running costs than nuclear or gas-fired stations".

Once a gas-fired plant has been built and 15-year gas purchase contracts have been entered into on a take-or-pay basis, the *avoidable* running costs of a gas station may well be less, particularly where a coal station has been forced off the base-load duty for which it was designed. The electricity consumer, however, will undoubtedly pay for the *complete* costs of building and running of the gas-fired station, which, as your editorial implies, simply adds to the "massive overcapacity" in the industry.

Moreover, the real costs of nuclear are still shrouded in mystery and provide grounds for much debate.

The running costs of at least some of the old Magnox stations may well be higher than those of some coal-fired stations, unless we all accept that long-term contracts (currently unsigned) between two state-owned industries (Nuclear Electric and British Nuclear Fuels) accurately reflect the underlying cost structure.

Your editorial shows your awareness of the complexity of the power generation issues: it would be a pity if your comment about running costs was accepted without qualification.

Anthony Baker,
head of economics,
British Coal Corporation,
Hobart House,
Grosvenor Place,
London SW1X 7AE

From Mr David Porter.

Sir, Your leader, "Breaking the power duopoly", discussed a number of options but it appeared to favour referring National Power and PowerGen to the Monopolies Commission. The justification was based on the popular assumption that prices in the electricity pool are too high.

Pool prices are not high. In 1990, at less than 2p per unit, they were absurdly low and my association told your newspaper that unrealistic prices would damage the emergence of competition. Today, still far below 3p, they are at best barely adequate. The pool price may not be a perfect market price but it is vitally important for every company that makes and sells electricity. Producers must have a reasonable rate of return to stay in business.

As for the concern that there may be too much generating capacity, for consumers that is not a problem, but a comfort. There can be little doubt they like electricity to be plentiful, reliable and reasonably priced. Most have fared well since privatisation, as the regulator, Professor Littlechild, stated in his annual report in May.

Britain has a generating industry which in many respects is leading the world. Producers large and small are investing increasingly in clean and efficient electricity production. I doubt whether many of them would regard an MMC referral as helpful to themselves or to the industry's millions of customers.

David Porter,
chief executive,
Association of Independent Electricity Producers,
41 Whitehall,
London SW1A 2BX

Free markets better than political intervention

From Phillip Oppenheim MP.

Sir, Joe Rogaly might be correct in assuming unfettered and unregulated free trade may have some disadvantages in the baby milk market ("Sour milk and apple pie", December 7). But, leaving aside the argument that European mothers are capable of making their own choices without being nannied by politicians, are not trade barriers also responsible for many problems?

According to the World Bank, richer countries' trade restraints against products from poorer ones cost the latter more than they receive in aid. European quotas on Japanese cars effectively prevent the import of small, low-cost, economical and low-pollution micro-cars of the type which no European manufacturer produces. The Common Agricultural Policy pushes up food prices in a way which disproportionately hits poorer people. Britain's protection of the indigenous coal industry has exacerbated air pollution and harmed peoples' health.

The point is that while free markets may not produce perfect outcomes, they tend to be a great deal less imperfect than intervention by politicians, however well-meaning.

Phillip Oppenheim,
House of Commons,
Westminster, London SW1

French approach to driving through EU rules

From Mr Anthony Dunn.

Sir, While a student at London Business School, I recently completed an assessment of the French market for company operated cars. Government pressure in the early 1980s to buy French and a tax system which heavily favours domestic products leads 80 per cent of French companies to buy only French vehicles. In the leasing market, the proportion reaches 95 per cent. The comparable UK figure is about 4 per cent.

As for European Union rules governing state purchases, most French state organisations contacted expressed little interest in even considering foreign products. As the French appear to view free trade as distinctly one-dimensional and EU rules as there to be ignored, just how far should we go in pandering to the attempted blackmail of France's protectionist demands in the current General Agreement on Tariffs and Trade negotiations?

Incidentally, am I alone in being unable to recall vigorous French protests at the jobs to be created by that wicked American cultural import (sic) of Euro Disney?

Anthony Dunn,
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United as in Mexican

From Mr Leonard S Hyman.

Sir, As a writer for the Times of Finance in the United British Kingdom, Observer ("Dos mio", December 6,) should know that the official name of Mexico, Estados Unidos Mexicanos, is translated correctly as United Mexican States, not United States of Mexico.

So, Mexicans have little reason to worry about confusion with the colossus to the north, except among English reporters who have trouble distinguishing adjectives from nouns.

If you are trying to fathom Mexican feeling about the US, why don't you quote Porfirio Dias instead of the wimps who worry about what's in a name?

Leonard Hyman,
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Why the west must support the role of women in Russian politics

From Ms Lesley Abdela.

Sir, Your correspondent, Leyla Boulton, writing on women in Russian politics ("Few ladies in red", December 4/5), highlights a truly critical factor the British and other western governments should be taking seriously and putting money into – namely, the manner in which women throughout the former Soviet Union and satellites are being shoved out of politics and civic life to a really startling degree.

Over the past year I have been putting on workshops for women would-be politicians in central Europe from Bucharest and Budapest and Brno and Warsaw to Prague, for Harvard University's Project Liberty. A fortnight ago we put on a two-day workshop in Prague on "handling the press and media in the post-totalitarian era". Our workshop presenters included Gemma Hussey, former Irish cabinet minister, Bernadette Vallely, director of the Women's Environmental Network, Dr Jara Moserova, a Czech MP and former Czech ambassador to Australia, the BBC's impressive local "stringer", Zdena Tomin, and me, as the founder of the all-party 300 Group for women in politics and public life in the UK.

The weekend was incredibly successful. We need to repeat such events at least six times a year in each of the central and eastern European countries. But it is harder for Project Liberty (because, I presume, we are energising, educating and training women for democracy) to get decent funding than the proverbial chimera to prod a western government in the place it matters – the pocket not the rhetoric.

How come we can subsidise tobacco growing in regions where they would be far better off growing food crops for under-nourished populations, yet Project Liberty and the marvellous resources it can call on from trainers in the UK and the Irish Republic and US has to look like it is begging?

Without women taking a full civic role in central and eastern Europe we and our children will have a thousand Bosnias to watch on television for decades to come.

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FINANCIAL TIMES
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Friday December 10 1993

Reform boost for Whitehall

The UK government has been subjected to mounting criticism over its programme of civil service reform. Numbers of civil servants have been rising, the market-testing programme has made disappointing progress, and measures to open top jobs to outsiders have been watered down. Some critics have concluded that reforms have been undermined by the opposition of senior Whitehall mandarins and ministerial weakness.

Yesterday's announcement that the government is stepping up the pace of privatising executive agencies is therefore welcome. Over 90 agencies have now been established, delivering a wide range of services from the payment of benefits to the registration of patents. Another 44 candidates have been identified, and by the end of 1995, four out of five civil servants will be in agencies. The creation of agencies has been a success story, with improvements in service and a new focus on the job to be done. But it has become an end in itself which has preserved largely intact the Whitehall machine.

Many agencies perform functions which could be privatised, such as the payment of wages and scientific research. Others could be put under commercial management in the same way as the Atomic Weapons Establishment at Aldermaston. In local government, public services are routinely provided by the private sector – even in sensitive areas such as the collection of council tax and the payment of benefits. A greater use of private provision in central government could provide similar benefits in efficiency and quality of service.

Civil service departments are supposed to examine alternatives such as privatisation and contracting out before each agency is established and at regular intervals thereafter. In only one case so far has the outcome been privatisation. The message coming out of the Cabinet Office yesterday is that the examination of alternatives will henceforth be more rigorous. Departments will be required to consider privatising agencies much more thoroughly before renewing their mandates. More important, companies which think they could take over agency activities or manage them more effectively are to be encouraged to bring forward their proposals. The premium will be on innovation and value added, rather than on simply taking over the existing civil service organisation and making it work better.

Whether this initiative produces the potential benefits will still depend on the enthusiasm of top mandarins for radical change. They may remain reluctant to cede parts of their empires to the private sector. However, the freeze on civil service running costs imposed in the Budget should encourage a new realism in Whitehall's top echelons. Permanent secretaries now face a period in which scope for pay rises will depend entirely on their ability to find efficiency savings. With "more for less" the rule for the next three years, the civil service will find the help of the private sector essential.

Dumping Gatt

The US has consistently told its partners in the Uruguay Round that it would rather reach no agreement at all than reach a bad agreement. Yet as the negotiations reach their climax in Geneva, it is beginning to look as if a bad agreement is exactly what is in prospect – thanks, ironically, to a barrage of last-minute demands by the American administration.

For all the progress made by the US and European Union in settling their differences in recent days, it is a stiff enough challenge to produce a universally acceptable agreement by the deadline of December 15. Now the task looks like being further complicated by controversy over Washington's insistence on a significant weakening of multilateral restraints on its ability to impose anti-dumping duties. More than that: if the other Gatt parties bow to the US demands, they might vitiate many of the gains that the Uruguay Round was supposed to yield.

Anti-dumping actions – against imports alleged to be sold at below cost – are a poison eating away at the liberal trading system, and the US has long been the principal, though by no means the only, culprit. The calculations by which goods are found to have been dumped are often highly questionable, and dumping actions are less often a just redress than a particularly insidious form of protectionism. One of the more laudable features of the Gatt text now being finalised – the so-called Dunkel draft – was its attempt to tighten the rules regulating how anti-dumping actions could be brought.

What the US seems intent on is a wholesale reversal of that effort. Not only has it demanded the abandonment or dilution of all the Dunkel restrictions; it has made further proposals that would actually make it easier for aggrieved parties – including trade unions – to bring anti-dumping actions. To avoid the perceived danger of circumvention, it wants the power to impose duties on "like goods" from third countries without further investigation. It wants to be able to impose duties indefinitely, rather than having to prove dumping afresh after five years. It rejects rules allowing exporters to charge below-cost prices for a limited start-up period. It objects to Gatt panels re-evaluating evidence in anti-dumping cases.

Small wonder that many exporting nations who feel victimised by existing US rules are up in arms. If its proposals were implemented to the letter, the already easy task of "proving" dumping would be rendered almost automatic, thus producing the mercantile equivalent of a witch hunt. And where the US led, others – especially the EU, under pressure from France to stiffen its own anti-dumping regime – would follow.

Rather than undermining the potential achievements of the Round, the US should be taking the lead in curbing anti-dumping. If it presses its current demands, it risks being held responsible either for failure or for an agreement that would be a lot less worthwhile.

Euro-plugs

Lord Young, when trade and industry secretary, remarked that Europe would truly have one market when it used one electric plug. Now that just such an idea is under study in Brussels, it is turning out to be less straightforward than it seemed. With Labour party support, UK plugmakers are out to scotch proposals for a standard Euro-plug, claiming it would be dangerous and would eventually require £20bn to be spent re-wiring homes throughout Britain.

But British readers should pause before complaining to their MPs about another piece of Euro-lunacy. There are practical advantages to harmonisation. The European Commission estimates that scale economies would enable Euro-plugs to be made for only one tenth the cost of the moulded plastic plugs which UK law will soon require electrical equipment manufacturers to fit to their products in the factory.

There would be further savings for electrical equipment makers, which have already standardised many of their products and are increasingly concentrating European production in fewer plants. Their freedom to match supply to demand would be increased if they no longer had to juggle with 20 different plug standards. Meanwhile, cross-border shoppers would be spared the chore and safety risk of changing plugs on electrical products when they got them home.

The issue is not the desirability of this nirvana, but the difficulty of attaining it. Since fitting suitable Euro-sockets would be practical only in new houses or when re-wiring existing ones, the change-over would be lengthy. If new products were wired to Euro-plugs as standard, they would require special adaptors to work in existing sockets. That would involve some inconvenience. UK plugmakers say it would also be unsafe, as consumers would be tempted to stick Euro-plugs directly into British sockets.

How real that risk would be is debatable. It does not appear to apply to the 18m foreign tourists who visit British every year. Like many of the plugmakers' arguments, it smacks of special pleading. Rather than welcoming harmonisation as an opportunity to sell throughout Europe, they seem more concerned with the threat it poses to their existing markets, where the UK standard has limited competition.

Nonetheless, the affair poses a genuine conundrum. Harmonisation makes sense in a Europe where crossing national frontiers is becoming increasingly routine for both individuals and businesses. Yet, experience suggests that attempts to standardise banal but highly visible items such as plugs often provoke the fiercest popular resentment about bureaucratic meddling from the centre. In such cases, the challenge for proponents of standardisation is to mount a persuasive case that inevitable short-term dislocation is outweighed by the benefits, many of which may only be realised over the longer term.

Recent cases and an independent review are putting pressure on the UK's Serious Fraud Office, says John Mason

The untouchables in the spotlight

The outcry over the community service order imposed on Mr Roger Levitt, the self-confessed City of London fraudster, has thrown the credibility of the UK's Serious Fraud Office back under an uncomfortable spotlight.

This is not the first bad publicity for the SFO. However, the latest criticism has come at a sensitive time, as the first independent review of the SFO's operations, expected to lead to a widespread shake-up, gets under way.

The inquiry, by a senior Treasury official, will assess the performance and "value for money" of both the SFO and the division of the Crown Prosecution Service which also handles fraud cases. At stake is whether the scale of the SFO's work and budget should be extended by taking over some fraud cases now handled by the CPS – a move that would appeal to some ministers.

After the review, the SFO could be turned into an executive agency with the CPS, along the lines of the Benefits Agency or the Employment Service. This might increase the flexibility of its management, but could raise a question over the lack of direct parliamentary accountability through the attorney-general.

At issue in the current review is the SFO's ability to prosecute successfully the largest cases of fraud and to maintain effective internal management controls.

Recent adverse media comment over failed prosecutions has struck at its reputation. "It is important from the point of view of the City and the general public that people believe that fraudsters are convicted and punished appropriately. I suspect that is not the public perception at the moment," says Mr Paul Phippen, a partner with City law firm Macfarlanes, who has experience of dealing with the SFO.

One important episode that tainted its image was its admission that it mishandled legally privileged documents belonging to the former chairman of Polly Peck, Mr Asil Nadir, which ended up in the hands of his prosecutors. The discovery was not only embarrassing to the SFO, but could compromise any trial of the fugitive businessman.

Whether the Nadir case reflects administrative error or worse is being investigated by the SFO internally. However, such incidents cause unease. Is the SFO, set up five years ago by the government to tackle fraud cases that had proved impenetrable for the police or Department of Trade and Industry, achieving its aims?

The office, with an annual budget of £21m, was given unique powers to investigate fraud under Section Two of the Criminal Justice Act 1988. A multi-disciplinary internal structure was put in place, intended to bring lawyers, accountants and police officers together as a team, pooling their talents.

But disappointment followed initial high expectations. At the heart of the SFO's difficulties lies its inability to find a general strategy that works in court – a central part of its original brief. Its conviction rate has risen steadily to 71 per cent. However, this has resulted largely from a tactical switch to an increasing use of plea-bargaining. This stems from an SFO desire, first, to emulate the swift and pragmatic practices of America's financial securities industry watchdog, the Securities and Exchange Commission, and second, to minimise damage to the office's public face.

So there have been more guilty pleas to lesser offences, where a conviction is more likely but where sentences have been lighter. Several offenders, such as Mr Terry Ramsden, the former City dealer in Japanese stocks, have received suspended sentences, after pleading to reduced charges.

Mr Levitt pleaded guilty to a charge that represented only a small part of the SFO's case. The SFO was thus left open to the criticism that, as one involved lawyer said, it had "bottled out" – a charge that has proved particularly wounding. Some observers believe it would be better for the office to be seen to fight and lose than to appear to cave in.

But plea bargaining has not been the only flaw in the SFO's approach. It foundered at first by mounting prosecutions that were too large, notably the 1991 Blue Arrow trial of seven prominent City advisers accused of manipulating the stock market. Overturning four convictions, the Court of Appeal attacked the year-long trial.

Keeping proceedings short and sharp, as commentators urged, did not prove more successful. The final Guinness trial, of US lawyer Mr Thomas Ward, which lasted just three weeks and never touched upon the share-support operation at the centre of the 1986 Distillers takeover scandal, was a failure for the SFO. Mr Ward was acquitted.

Mr Phippen, commenting on such cases, said: "The SFO appears to be left in an uncertain state as to its strategy." The loss of authority has had damaging consequences, he added. "Defence lawyers need to feel that there are serious risks for their clients in fighting SFO prosecutions. At the moment, most defence lawyers are optimistic that, if they keep fighting, they will get a result in the end."

However, many barristers agree that the SFO faces several problems not of its own making. Few High Court judges have enough experience of criminal trials and juries to try complex fraud cases properly, they argue. Lawyers support the growing calls from the bar for a formal plea-bargaining system to be set up to ensure fairer – at times less lenient – sentencing.

Despite their partial support, many lawyers join some police in pointing to the weakness of the SFO's multi-disciplinary structure. In the Polly Peck case, for instance, complaints about a breakdown of teamwork were vociferous. "The atmosphere became so bad that lawyers weren't talking to the police and there were no regular conferences," says one insider. "We were facing a 'them and us' atmosphere when we were meant to be working on the same teams."

Mr George Staple, the SFO director, acknowledges that "in some cases teamwork does work better than in others", and remains convinced that the basic principle is sound.

One constant criticism levelled by outsiders concerns the quality of the SFO's permanent staff of 20 senior lawyers – "the talent problem", as one criminal solicitor in private practice puts it. "George has a problem," he says. "If we hire someone who turns out to be no good, we can fire them. All George can do is resort to the traditional civil service solution of sidelining them."

Mr Staple insists the general level of ability inside the Office is high. Those inside the SFO point out that the accountants and barristers called in to advise include some undeniably heavyweight names.

The SFO can point to some successes. First, the three-pronged organisation appears to work effectively in its use of accountants, as the investigations into the collapsed Bank of Credit and Commerce International and Mr Ramsden indicate. City of London police admit that, before the SFO was set up, budget constraints would have meant far fewer accountants being used. Without such back-up, investigations would have been less intensive and prosecutions on a smaller scale.

Second, the removal of a suspect's right to silence under Section Two of the Criminal Justice Act 1988 has led to more guilty pleas at an early stage, prosecution and defence lawyers agree. Parallel powers enabling the SFO to seize documents have also permitted banks to co-operate with investigators because their obligations to respect client confidentiality have been overridden.

Despite its far-reaching legal weapons, only the expansion of the SFO would give it the "critical mass" needed to carry out its tasks efficiently, Mr Staple believes. He would probably welcome a recommendation by the review that the SFO take over the largest Crown Prosecution Service cases.

The other main option under review is to bring the SFO into the CPS to operate as a "discrete unit" – thus avoiding the administrative problems of having two bodies.

Whether either development would alleviate public worries is unclear. What is certain is that the final report, to be passed to the attorney-general in February, will not be published, so there will be little opportunity to debate its findings. Nor will its contents have any impact on the SFO's greatest public test – the trial of Robert Maxwell's two sons and four others over the disappearance of millions of pounds in pension funds, scheduled for next autumn.

More jobs, the same interest rates

PERSONAL VIEW

European governments can stimulate demand and increase employment even if German interest rates remain high. Any country can increase spending on business equipment and construction without reducing interest rates and therefore without the possible inflationary consequences of currency devaluation that might accompany lower interest rates. Moreover, such a stimulus need not increase the budget deficit and national debt.

The key to stimulating capital investment is an investment tax credit (ITC) financed by higher taxes on business profits. An ITC is easy to implement and is effective as a stimulus to investment. The US has used an ITC to stimulate investment on several occasions and a substantial amount of research has shown it to be quite effective.

The simplest form of ITC reduces a business's tax liability by a percentage of the firm's spending on eligible investment. For example, with a 10 per cent investment tax credit a company that spends FFr1m on eligible investment reduces its tax obligation by FFr100,000. Eligible investment could be defined narrowly (eg, restricting it to equipment) or broadly (including all construction). Taken by itself, an ITC would reduce the government's tax revenue and increase the budget deficit. But it could be financed by a higher tax on business profits without reducing its effectiveness.

Although a typical business might pay the same total tax as it would without the ITC, the shift in the structure of the tax system would provide a strong incentive to spend more on new investment. The increased corporate tax is essentially a tax on profits of prior investments while the ITC is a subsidy for new investment.

Indeed, an ITC's impact on a company's incentive to invest is very similar to the effect of lower interest rates. Either change makes prospective investments more profitable: the ITC reduces the initial cost of the investment, and the lower interest rates reduce the annual cost of servicing the debt. The ITC rate could be set to provide the same effect on the profitability of investments as an interest rate reduction of, say, 2 percentage points.

By using an ITC, each government can tailor its policy of stimulating interest-sensitive spending to its own domestic circumstances.

The shift in the structure of the tax system would provide an incentive to spend more on investment

The acrimonious debates about easing German monetary policy in order to serve the needs of other European countries would become unnecessary. Because of reunification, the German situation is different from the situation in other countries.

Even if it were not, German citizens and the Bundesbank are entitled to pursue a more vigorous anti-inflation policy than others if that is what they want to do.

I have emphasised the feasibility of substituting an ITC for a reduction of interest rates because of the manifest distaste of several European governments for lowering interest rates and for the accompanying decline in the currency value. But such a substitution is not satisfactory when the country has a trade deficit as well as a demand deficiency at home. When the country's external account is in balance, though, an ITC has the advantage of providing a domestic stimulus without weakening the demand of foreign countries and without imposing a trade deficit on the country's trading partners.

One technical point should be noted. An ITC, like any fiscal stimulus, will only be effective if it is not offset by higher interest rates and an associated currency appreciation. A country that adopts an ITC should therefore adjust its monetary policy to maintain unchanged short-term interest rates.

There is finally the more fundamental question of whether European governments should try to deal with the unemployment problem by increasing demand. It seems clear that most of the dramatic rise in European unemployment rates over the past two decades cannot be attributed to a lack of demand. Reducing that unemployment requires greater flexibility in the level and structure of employee compensation. Any attempt to reduce the unemployment rate by demand stimulus alone would lead to an explosive increase in wages.

Nevertheless, some stimulus to demand may be warranted. Countries differ and the amount of stimulus that is right for one may not be right for another. To the extent that increasing aggregate demand is warranted, an investment tax credit financed by an increase in other taxes can be a desirable alternative to a reduction in interest rates.

Martin Feldstein

The author is professor of economics, Harvard University, and president of the National Bureau of Economic Research

OBSERVER

Hook, line and stinker

■ The latest row bugging John Major's cabinet is at least about a down-to-earth issue. Board of trade president Michael Heseltine and treasury chief secretary Michael Portillo have been baiting each other with letters about maggots.

The wrigglies that fishermen impale on their hooks have been reeled into affairs of state by Hezza the prezza's approval of the National Rivers Authority's suggestion that post offices be allowed to sell anglers' fishing licences. He thought the idea fully in line with the government's commitment to deregulation, as did environment secretary John Gummer.

Then up popped Portillo with a letter to Heseltine objecting that the proposal would undercut the trade of the fishing-tackle shops where anglers now buy their licences along with rods, lines, maggots and the like. For some obscure reason the chief secretary's commitment to economic liberalism does not extend to breaking the monopoly of tackle shops.

The prezza seethed, especially since he prides himself on being one of the few members of the cabinet who has ever bought a fishing licence. Back went a stinker of a letter informing Portillo that the licence is an annual purchase. Maggots must be bought weekly.

Whereas tackle shops might be threatened if post offices sold maggots and such, Heseltine adds, that is hardly in prospect. Hence "get your hook off my line and let me get on with running my department".

Blarney stoned

■ Tight-lipped officials involved in the drafting of the planned joint declaration by London and Dublin on Northern Ireland have started referring to their period of enforced silence as "O'Purdah".

Leave it out

■ Today's celebration of the construction of the Channel tunnel would not be complete without an unseemly squabble about how best to celebrate. Observer hears that the contractors had been given the green light to hire a train to take a party of revellers (including British Rail chairman Sir Bob Reid) non-stop from Victoria to the partying on the French side.

All seemed to be going swimmingly at first. BR's InterCity had promised a luxury express and was confident that its driver could find his way through the tunnel.

However, when the powers that be at BR heard what was happening, word came back down the line that the revellers would have to make an unscheduled stop at Folkestone and change trains. There are no technical reasons for the disruption. Probably something to do with the wrong sort of publicity, rather than the wrong sort of snow.

'I didn't know the gun was loaded – and it's a trivial detail anyway'

Uphill task

■ Who says the Brits revile the notion of a common European currency? A small group from north London has even commenced lobbying the Bank of England, EU embassies, and the European Commission with a design for the Ecu coin.

The "Campaign for Benny Hill's head on the Ecu" advances the dead British comic as "the perfect popular non-political continental personality to grace the face of the Ecu". His having sent up a number of his fellow Europeans by dressing up in lederhosen and so forth somehow makes him a "poignant and intelligent choice" for the Ecu.

Founder campaigner John Hulme admits the idea was born at a "slightly tipsy moment". But the Danish embassy, at least, seems to like it.

Those convinced that Benny Hill is their man should contact the campaign at 42 Hawthorn Avenue, London N13 4JT, telephone or fax 081-886 8951.

Lines drawn

■ It's been known for some time that the Royal Academy was looking for an architect to front its bid to take over the adjacent Museum of Mankind, which falls vacant in 1996, and turn it into a Museum of Architecture. So the smart money was always on the next president of the Royal Academy being an architect.

Few surprises then that Sir Philip Dowson has been tapped to succeed Sir Roger de Grey as president of the Royal Academy. He is an architect, as was his close rival for the presidency, Colin Wilson. But whereas Wilson will be remembered for the unloved new British Library, Sir Philip, one of the founders of Ove Arup, was responsible for the admired Broadgate development in the City.

He has one other advantage. At 69 he is an excellent time-filler until the more flamboyant artists who aspire to be president, such as Allen Jones and Tom Phillips, calm down a bit.

Not gilty

■ Have the fertile minds from the new issues department of Morgan Stanley International come up with the "dog" of the year?

Observer ran the office slide-rule over yesterday's issue of sterling-denominated zero coupon perpetual bonds. They don't pay interest; there is no repayment of principal; there is no listing. A question as to whether the bank would be making a market in the paper after the offer closes in mid-January merely elicited a giggle. No wonder the underwriting group is taking no fees.

P.S. The issuers milking the market on the tightest terms of the year are the Samaritans, Relate, and the Depaul Trust. The yield is "a warm feeling" over Libor (WFOL). Paid semi-annually or monthly? The offer telex doesn't divulge.

Dr Acula?

■ How does the vampire doctor summon his patients?

"Necks!"

FINANCIAL TIMES
Friday December 10 1993

Attorney-general Reno backs gun licence plan

By George Graham in Washington

Support is building in the US for a national system for registering and licensing guns.

Attorney-general Janet Reno, who has been asked by President Bill Clinton to study the proposal, said yesterday she strongly favoured a licensing test to show that individuals can safely and lawfully use a gun.

"I think it should be at least as hard to get a licence to possess a gun as it is to drive an automobile," Ms Reno said.

A taskforce of mayors and city police chiefs also backed gun registration in a meeting yesterday with Mr Clinton to discuss crime and violence. Support for tougher controls on firearms cuts across party lines, and the suggestion for compulsory registration was made to Mr Clinton by Mr Rudolf Giuliani, the Republican mayor-elect of New York, and Mr Richard Riordan, the Republican mayor of Los Angeles.

Mr Clinton has not taken a firm position on the idea of registration, but he said yesterday that he believed the US was now ready to act on violent crime. "We have to move and I think we are prepared to move," he said.

The mayors' taskforce also called for a ban on the manufacture, sale or possession of all semi-automatic assault weapons and their components, much higher taxes on firearms and ammunition and much stiffer controls on gun dealers.

In addition, the mayors asked for extra federal money to pay for more police officers, the prosecution of violent juvenile offenders as adults and mandatory minimum sentences for all repeat drug sale convictions. They warned, however, that such measures were only short-term.

"In our view, lasting solutions lie in Washington's willingness to view affordable housing as a weapon to fight crime, to view child care, job training, recreation programs, community development and transportation to jobs as weapons to fight crime," Mr Jerry Abramson, mayor of Louisville and president of the US Conference of Mayors, told Mr Clinton.

Yesterday's White House meeting followed the killing of five people and wounding of 18 others by a gunman on a New York train on Tuesday.

At least 38 people have been killed in the US so far this year in 11 similar attacks, where a gunman with a grudge has opened fire at random.

Proposals for compulsory gun registration have already aroused fierce opposition from gun lobbies such as the National Rifle Association. While the NRA has traditionally opposed even the most modest forms of restriction on gun ownership, registration is a particular anathema to the 3.3m-strong organisation's core supporters.

Public pressure for tougher action to curb gun violence, however, has not dissipated with the passage by Congress last month of a law requiring handgun buyers to wait five days while their backgrounds are checked. Rather, the passage of the Brady bill after seven years of argument has released the energies of gun control campaigners to work on other measures.

Japan's economy forecast to contract 0.4% next fiscal year

By Robert Thomson in Tokyo

Japan's economy will contract by 0.4 per cent next fiscal year, according to the Nomura Research Institute, which blamed the expected shrinkage on a continuing fall in corporate earnings and capital spending in coming months.

The gloomy forecast by the leading private research institute was followed by a Daiwa Research Institute prediction that Japanese corporate profits will fall for the fifth successive term in the year from April.

Responding to indications of a deepening downturn, leaders of Japan's coalition government said yesterday that preparations for a package to stimulate the economy were likely to begin next week, when a supplementary budget is expected to end its passage through parliament.

Meanwhile, Mr Gaishi Hiraiwa, chairman of the Keidanren, the leading business grouping, said the government should stimulate the property market to assist banks attempting to clear away their mountain of bad property loans.

The NRI forecast for next year was based on the presumption that the government will introduce another spending package and cut taxes, and that the official discount rate will be reduced from the present record low of 1.75 per cent to 1 per cent by the Bank of Japan.

In the current year to March, NRI expects the economy will contract by 1.1 per cent, and it can see no signs of the recovery officially expected to arrive in the first few months of next year.

For next fiscal year, the institute forecasts that private consumption will grow 0.7 per cent, against an expected 0.1 per cent decline this year, and that industrial production will slip 3.2 per cent compared with a 4.7 per cent fall this year.

Daiwa Research Institute said consumer and capital spending levels had remained lower than generally expected in recent months, and pre-tax corporate profits would fall by an average 25.6 per cent this fiscal year and another 8.8 per cent next year.

The institute said many manufacturers would have difficulty clearing inventories next year, although it expected an upturn in sales for the automotive and electronics industries. It said profits would rise in only four of 33 industrial sectors and materials suppliers would be under the most pressure.

Syria returns to peace talks

Continued from Page 1

However, Mr Nabil Shaath, head of the Palestinian negotiating team with Israel, said that "major differences" remained.

Mr Arafat and Mr Yitzhak Rabin, the Israeli prime minister, would are to hold an unscheduled meeting in Cairo on Sunday in an attempt to bridge outstanding differences.

The urgency of meeting Monday's deadline for withdrawal was underlined by continuing violence in the occupied territories.

Row over shipping

Continued from Page 1

mark and Greece, as well as the Nordic countries.

The EU says it will withdraw its own offer on maritime services, which is conditional on a "critical mass" of other countries also liberalising their shipping sectors, if Washington does not put a better deal on the table.

Trade officials fear that if one key services sector is "carved out" of the Uruguay Round liberalisation package, others will follow. The EU has already served notice that, despite its partial agreement with the US in Brussels on Monday, it may not be able to resist French pressure to keep the sensitive audiovisual sector out of the round.

Trade diplomats are also critical of Washington's stand on financial services, where the US is proposing to grant unrestricted access to its banking and securities market only to countries providing full access to the US financial services industry. This is "effectively wrecking the negotiations," an EU official said yesterday.

However, a rumpus over a US demand to be able to treat foreign companies differently from US companies for tax purposes is expected to be settled today.

Pre-poll boost for Russian fascists

By Leyla Boulton in Moscow

Russia's neo-fascist party could become the second largest faction in the parliament to be elected on Sunday, according to a survey by one of Russia's more authoritative pollsters.

A poll by the All-Russian Centre for Public Opinion Research, which cannot be published inside Russia in the week before elections, gave Mr Vladimir Zhirinovsky's Liberal Democratic party 14 per cent support among those who have decided how they will vote.

Mr Zhirinovsky's party is anything but liberal-democratic, promising to conquer Russia's neighbours, including Turkey, in order to gain access to warm-water ports. Domestically, he is offering Russians who feel impoverished and humiliated an alternative to the Communists of the discredited past and to the various democratic parties who are promising market reforms with varying degrees of pain.

The poll puts the extreme nationalist leader behind Russia's Choice, headed by deputy prime minister Yegor Gaidar, with 22.3 per cent support.

It coincided with warnings last night of "a new round of struggle and new conflicts" from President Boris Yeltsin if Russians failed to support the constitution, which would give him sweeping powers, in a referendum, also on Sunday.

However, Mr Sergei Yuzhenkov, the deputy head of the federal information centre and an organiser of Russia's Choice, said that even if Mr Zhirinovsky did well, Mr Yeltsin would be free to choose whatever government he pleased.

Although Russian polls tend to be less reliable than their western counterparts, the survey indicates how effective Mr Zhirinovsky's homespun campaign has been in exploiting the weariness of Russian voters with their present rulers and their distaste for the Communist past.

Mr Gaidar said earlier this week that he feared the new State Duma would be as difficult as the old Supreme Soviet dissolved by Mr Yeltsin. Yesterday, he said such results would confirm his warnings of the dangers of Russian democrats who put personal ambition ahead of the country's interests.

The poll puts Mr Grigory Yavlinsky's reformist Yabloko bloc third with 13.6 per cent, followed by the conservative Democratic Party of Russia and the Communists with 7.8 per cent and 7.7 per cent respectively.

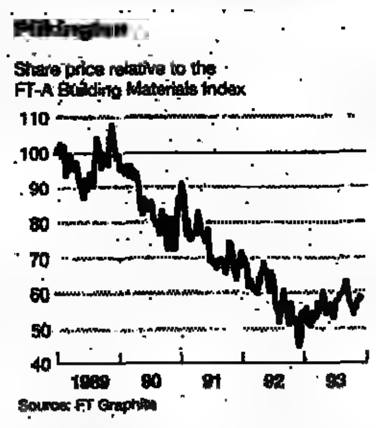
The poll, of 1,200 respondents in Russian cities, excluded the 20.6 per cent of voters who were still undecided, and the 12 per cent who were determined not to vote. Nor did it explore opinion in the countryside, which accounts for 25 per cent of the population.

Russian nightmares, Page 3

THE LEX COLUMN

VW's economy drive

FT-SE index: ????.? (-25.0)



Despite Volkswagen's persistent protestations that it would break even in 1993, the market long suspected there would be plenty of red ink. VW recently admitted as much, and yesterday raised the estimated loss to DM2.3bn. Being ahead of official pronouncements is one reason why the shares were unmoved by the news. Keeping VW's equity at a high for the year might be justified because the outlook for 1994 is more favourable.

Still, an improved operating performance will come entirely from cost cutting, as European car sales are unlikely to increase next year. Germany and Italy, VW's biggest markets, will probably be among the poorer performers. The strong D-Mark is also a disadvantage for German car makers in export markets where devaluation has sparked some recovery.

Retrenchment is yielding lower component and labour costs, but VW's need to standardise components will take years to implement fully. Short-time working at the main Wolfsburg site is presented by Mr Piëch, VW's chairman, as cheaper than incurring high redundancy costs. Yet that only serves to emphasise the tightness of his straitjacket. Few believe that all of the 30,000 workers moving to a four-day week will be needed full time once the cyclical upturn comes. Perhaps Mr Piëch is a shrewd judge who knows the limits to painful change, and thinks that to make yet more workers redundant would be to lose all co-operation. He may equally have side-stepped the difficult decision needed to put Wolfsburg on a viable long-term footing. At present the market seems content to ignore the more worrying signs and give Mr Piëch the benefit of the doubt.

Pilkington

It has taken a frustratingly long time to achieve, but Pilkington appears at last to be getting a real grip on its business. A further £30m of cost savings in the first half has helped reinforce an encouraging productivity trend. The sale of the Sola spectacle lens business, netting some £200m, has now cut gearing to a more manageable 67 per cent. And, following a squeeze on working capital, Pilkington even promises to become marginally cash positive this year – for the first time since 1989. The doubling of interim pre-tax profits represents the first tangible fruits of such developments.

It would even be tempting to grow quite excited about Pilkington's prospects if the company could replicate its US performance in Europe. A combination of price rises, volume improvements and cost reductions resulted in US operating profits leaping from £2m to £15m, highlighting the wonders of operational gearing. Greater sales of higher added value glasses further gilded the profits rebound. The trouble is Europe shows few signs of following the same pattern in the immediate future. Severe over-capacity still undermines Pilkington's attempts to tickle prices higher in the UK. Despite recovering demand in the UK and the resilience of the German building industry, sales remain desperately weak. Moreover, Volkswagen's continuing assault on costs threatens a further downward spiral in automotive glass prices. Pilkington's shareholders must retain their extraordinary patience.

North West Water

North West chose a sensitive moment to part company with Mr Bob Thian, the chief executive who left unexpectedly a fortnight ago. With the regulator poised to set price limits for the second half of the decade, and a portfolio of international contracts now stretching from Malaysia to Mexico, a firm hand on the tiller would be comforting. This is all the more so since North West's process engineering side has taken a turn for the worse. Without the benefit of foreign exchange, turnover in this area was lower in the first half and operating profits halved. After interest payments on the £140m cost of acquisitions, the business will do well to cover its costs this year.

North West may prove more adept at operating water treatment plants overseas than managing US engineering companies. The risk capital involved in such projects is also modest compared with the cost of acquisitions. Having raised equity through May's enhanced scrip dividend to pay for such investment, though, the onus is on North West to prove that it can earn a decent rate of return. The tax credit which boosted earnings in the first half was a direct benefit of the scrip, but will not be felt again.

If North West can avoid trouble overseas, the more immediate risks lie with the regulated water business. Efforts to scale back capital expenditure plans should allow it to live with a lower price cap and probably lessen the risk of a rights issue. Even so, with capital expenditure of around £500m a year for the next 10 years, North West badly needs a favourable settlement with the regulator.

LIG

Having lavished much time and money on building up its photo-processing business, London International Group has concluded that its disposal is now essential. That complete reversal of strategy highlights the financial depths to which LIG has sunk following its unexpected £5m half-year loss. With increased borrowings of £154m supported on shareholders' funds of just £109m, LIG badly needs to raise money. The additional cash costs of its drastic rationalisation programme will have to be funded from selling toiletries brands.

LIG's plight has been compounded by the alarming deterioration in its health and personal products business, where operating profits have slumped from £16.1m to £3.5m. But it now transpires that the comparable half-year's figures were boosted by special factors not previously disclosed. The devaluation of the pound created a £3m windfall profits gain on foreign currency holdings. LIG also booked £2m from the release of surplus provisions. It seems astonishing LIG did not reveal such important factors at the time.

The more prudent accounting practices now adopted would have depressed last year's profits by a further £2m. But even so, it is hard to comprehend the severe slide in the division's underlying profits on 3 per cent higher sales. The 20 per cent fall in LIG's shares yesterday was a rather muted response.

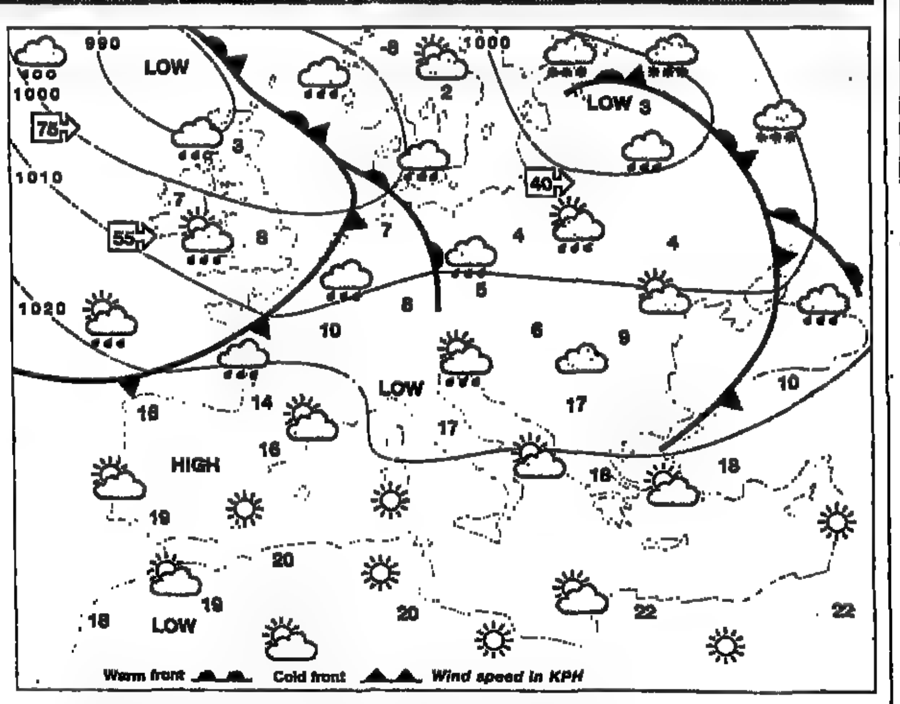
FT WEATHER GUIDE

Europe today

Most of northern and western Europe will be unsettled. A depression between Iceland and Scotland will maintain a strong westerly flow from the Atlantic into the continent. A frontal disturbance over North Sea countries will trigger rain over the Low Countries and parts of Germany and France. Breaks in the cloud will alternate with showers over the British Isles. It will be cloudy with outbreaks of rain along the northern coast of Spain and central France. Sunny periods are expected south of the Pyrenees and the Alps. Abundant sunshine will occur over the Mediterranean. Another disturbance will cause rain and sleet from Moscow towards the Black Sea. It will remain wintry over Scandinavia with some snow flumes in the north.

Five-day forecast

High-level winds from the west will gradually become north-westerly, allowing the Arctic air mass over the north Atlantic to flow south. There will be an increasing risk of snow or sleet over the North Sea and surrounding countries. Temperatures will fall to near freezing after the weekend. There will be a lot of rain or snow from the Alpine countries to the former Yugoslavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	sun	[illegible]	Belfast	hail	8	Cardiff	shower	8	Frankfurt	cloudy	6	Malta	sun	20	Rio	thund	26
Accra	fair	32	Belgrade	fair	8	Chicago	shower	8	Geneva	drzzl	5	Manchester	shower	7	Riyadh	fair	23
Algiers	sun	20	Berlin	drzzl	5	Cologne	cloudy	9	Gibraltar	fair	18	Manila	shower	28	Rome	fair	17
Amsterdam	shower	8	Bermuda	fair	23	D' Salaam	fair	30	Glasgow	sleet	4	Melbourne	sun	32	S. Frsco	cloudy	16
Athens	fair	19	Bogota	shower	19	Dakar	fair	26	Hamburg	rain	6	Mexico City	fair	21	Seoul	fair	2
B. Aires	fair	31	Bombay	sun	33	Dallas	fair	23	Helsinki	cloudy	-3	Miami	fair	28	Singapore	rain	30
B.[illegible]	fair	6	Brussels	rain	10	Delhi	sun	28	Hong Kong	cloudy	21	Milan	fog	7	Stockholm	fair	-3
Bangkok	fair	31	Budapest	cloudy	9	Dubai	sun	29	Honolulu	fair	28	Montreal	rain	8	Strasbourg	cloudy	9
Barcelona	fair	16	C.hagen	cloudy	4	Dublin	hail	6	Istanbul	drzzl	13	Moscow	snow	-3	Sydney	fair	24
Beijing	fair	5	Cairo	sun	22	Dubrovnik	fair	15	Jersey	rain	10	Munich	cloudy	6	Tangier	fair	21
			Cape Town	fair	22	Edinburgh	cloudy	4	Karachi	sun	32	Nairobi	fair	23	Tel Aviv	sun	19
			Caracas	fair	26	Faro	fair	18	Kuwait	sun	23	Naples	fair	17	Tokyo	rain	12
									L. Angeles	fair	19	Nassau	fair	27	Toronto	rain	8
									Las Palmas	fair	21	New York	cloudy	14	Tunis	sun	22
									Lima	cloudy	23	Nice	fair	15	Vancouver	rain	11
									Lisbon	cloudy	16	Nicosia	fair	19	Venice	hazy	7
									London	shower	9	Oslo	cloudy	-5	Vienna	cloudy	8
									Lux.bourg	rain	8	Paris	rain	12	Warsaw	shower	4
									Lyon	cloudy	7	Perth	fair	20	Washington	rain	13
									Madeira	cloudy	18	Prague	drzzl	6	Wellington	fair	20
									Madrid	fair	12	Rangoon	fair	33	Winnipeg	snow	-7
									Majorca	sun	18	Reykjavik	snow	-2	Zurich	cloudy	9

FINANCIAL TIMES
COMPANIES & MARKETS

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Friday December 10 1993

INSIDE

AT&T sells its stake in Cir

One of the longest, but ultimately least fruitful, cross-border partnerships in high technology has been wound down after the sale by AT&T of its remaining share in Mr Carlo De Benedetti's Cir holding company. Page 16

Wide range from Canadian banks
Canada's big banks have produced a wide range of results in their latest fiscal year. Return on equity ranged *from* 2.4 per cent to 14.4 per cent. Page 17

Travelling hopefully in China
Two Hong Kong merchant bankers have spent months travelling to remote parts of China to examine motor components factories. A fund has been launched recently to invest in production of Chinese car parts. Page 18

India seeks more energy
India plans to expand its oil refining and petrochemicals industries to modernise its economy. Page 24

Lima shows signs of maturity

Lima's small but turbulent stock market looks set for a period of calm, when investors can expect fewer sleepless night. The Lima Bourse is showing signs of greater maturity. Its general shares index put on 70 per cent in 1993, even though 22 per cent was knocked off values last month. Back Page

GUS moves ahead on four fronts
Great Universal Stores, the UK mail order, retail, financial services and property group which recently enfranchised its shareholders, reported a 9.4 per cent increase in interim pre-tax profits, based on higher trading profits in all four main trading divisions. Page 20

Christian Salvesen flat
Shares in *Christian Salvesen fell 17p to 331p yesterday* after the international distribution, specialist *hire and food services group reported flat interim* profits. Page 20

Seeboard warms
Seeboard, the electricity distributor for the south-east of England outside London, yesterday warmed the London market. Page 21

Hartstone suffers
Hartstone Group, the UK hosiery and leathergoods company which is in refinancing talks after breaching banking covenants this summer, suffered a sharp drop in pre-tax profits. Page 21

Dry year hurts Scottish Hydro
Scottish Hydro-Electric's 12 per cent profits rise follows low rainfall which restricted its ability to generate hydro electric power. Page 22

Property back in favour
Several private UK property companies are in *discussions for a London Stock Exchange listing* in the new year with a potential total market *value of about £1bn ($1.49bn) Page 22*

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Bayer Vereins	579	+	10.5	Eridania B-Say	877	+	29
Dresdner Bank	457.5	+	9.7	Legris	196.4	+	5.8
RWE Prf	414	+	8.2	Valloarec	207	+	7.1
Siemens	748.5	+	11.1	**Falls**			
Thyssen	254	+	8.1	Club Med	333	–	12.5
Falls				Pechiney Int	198	–	10.4
Metallgeschaft	351	–	9.5	Thomson CSF	180	–	5.9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Delaware	81¼	+	2	Anritsu	970	+	60
Viacom	[illegible]	+	1	Fuji Spinning	364	+	34
Falls				Janome Sewing	275	+	26
Dataware Tech	9	–	7	Koyo Seiko	609	+	59
Microsoft	81	–	2¼	Nippon Signal	1350	+	100
Motorola	92¼	–	1½	Orient Corp	703	+	65
QVC	43¾	–	1½				

New York prices at 12:30.

LONDON (Pence)							
Rises				Enterprise Comp	35½	–	3
BBA	188	+	7	Euro Disney	390	–	30
Bridgend	24	+	4	Ess	450	–	53
Brit Bloodstock	102	+	19	Feedback	88	–	14
Hartstone	42	+	9	Fine Art	538	–	18
Norex	198	+	27	LASMO	100	–	6
Perry Grp	188	+	9	London Intl	111	–	28
Pilkington	168	+	11	Powerscreen	272	–	31
RJB Mining	294	+	17	Salvesen (C)	331	–	17
Whatman Mackay	27	+	4	Signet	15¾	–	2¾
Falls				Stirling Grp	58	–	10
Betterware	140	–	9				
Electronic Data	575	–	48				

Metals group to cut foreign stakes

By David Waller in Frankfurt and Nikki Tait in Sydney

Metallgesellschaft, the loss-making Frankfurt-based mining, metals and industrial conglomerate which earlier this week averted a liquidity crisis by reaching agreement with its bankers, is to reduce two of its more substantial foreign shareholdings.

Metallgesellschaft has sold the bulk of its indirectly owned 14 per cent stake in Brisbane-based MIM Holdings for A$250m (US$163m), and is intending to sell 11.6m directly owned shares in Metall Mining Corporation, a Canadian mining group, for C$124.7m (US$94m), reducing its holding to 50.1 per cent.

Separately, Metallgesellschaft and Deutsche Bank denied a report that Mr Heinz Schimmelbusch, Metallgesellschaft's chief executive, had come under the surveillance of a specially created committee of senior managers. This was alleged to have been formed last month at the initiative of Mr Ronaldo Schmitz, the Deutsche Bank director who is chairman of the Metallgesellschaft supervisory board, but Deutsche said the report was groundless.

The Frankfurt group said the sales of the shareholdings were unconnected with its liquidity and were planned before it went into negotiations last Friday with Deutsche and Dresdner Bank.

News of the talks prompted a 12 per cent fall in Metallgesellschaft's share price on Monday but the price has recovered much of the losses following the group's insistence – backed by its bankers – that its liquidity problems are temporary, caused by technical aspects of futures contracts to hedge US oil deliveries.

The proceeds of the sale of the 11.6m shares in Metall Mining Corp will flow directly to the German parent company, but the money raised in Australia on Wednesday via the sale of 100m shares in MIM Holdings will remain with Metall Mining through which Metallgesellschaft owns the stake. But the immediate proceeds would be invested in the Canadian company's copper activities, Mr Klaus Zeitler, the company's chief executive said yesterday.

The 100m shares in the Australian company were sold to institutions by stockbrokers at A$2.35 each; Metall Mining has in addition sold call options on its remaining 76m shares for a further A$16.5m. Metallgesellschaft's 11.6 shares in Metall Mining are to be sold in Canada via a prospectus offering.

Nova deal, Page 17


Heinz Schimmelbusch: group denies he is under surveillance

VW forecasts bigger loss

By Christopher Parkes in Frankfurt

Volkswagen, the German carmaker, expects to lose DM2.8bn ($1.4bn) this year, some DM300m more than the company forecast two weeks ago. However, it aims to break even in 1994, according to Mr Ferdinand Piëch, chairman.

The turning point at the German parent, Volkswagen AG, had already been reached, he said yesterday, predicting 1993 net earnings of between DM60m and DM80m – around 50 per cent lower than last time.

Mr Piëch attributed the "improvement" at the parent, which was reported as losing DM768m after nine months, to the delayed arrival of dividend payments from successful subsidiaries. These included Autolatina in Brazil, which has benefited from a 37 per cent rise – to 440,000 cars – in Latin American deliveries, and the Shanghai plant, *which contributed to a 46* per cent rise in Chinese sales to *132,000 units.*

The VW AG result, he *suggested, would allow the company* to pay an unchanged DM2 *dividend.*

Group turnover for 1993 would fall 10 per cent to DM77bn, well short of the expected DM80bn on which Mr Piëch based his summer predictions of a break-even result. Full-year sales at the parent were likely to be 19 per cent lower at DM43bn. Group deliveries would drop 12 per cent to 3.1m vehicles. These had been hit *by a 21.6 per cent fall in western* Europe, where VW said it *retained its market lead despite a* one percentage point drop in *market share to 16.5 per cent.*

Mr Piëch based his predictions *for the new year on assumptions* of unchanged volumes and *enhanced profitability and productivity.* He claimed group costs *had fallen DM6bn this year.*

Cost-saving measures include *the shedding of 23,000 jobs* worldwide and reduced prices for *bought-in components.* Capital investment was also reduced by 40 per cent to about DM5bn. Medium-term plans allow for further cuts, including a standstill on building and extension work at the company's new factory at Mosel in eastern Germany.

Further savings are expected *from the closure of a* Barcelona factory owned by VW's Seat *subsidiary, which will remove* some 9,000 more workers from the pay*roll, and the planned introduction* of a so-called four-day week *in six German factories.* However, negotiations over the Span*ish closure are deadlocked,* and Mr Piëch has demanded a solu*tion before the end of next week.*

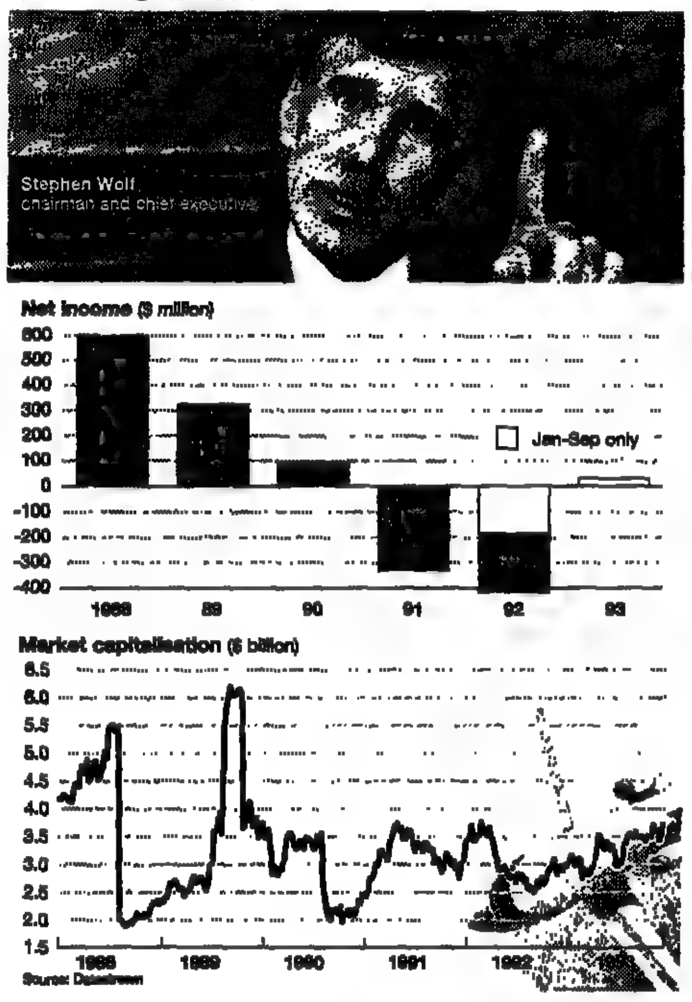
Despite talks on shorter work*ing hours in Germany,* it is becoming apparent that annual *savings will be less than the* DM1.8bn expected, and that the 28.8-hour working week is only a stop-gap. Mr Piëch said yesterday a return to 35-hour working was "hardly likely" after the planned two-year agreement had expired.

Lex, Page 14,
World stock markets, Back page

Richard Tomkins on United Airlines' negotiations with its workers

A deal to trade shares for reform hangs in the air

UAL Corporation



This year United Airlines overtook American Air*lines as the biggest US* carrier in terms of passenger miles *flown. In the third quarter, it* reported a leap in net income from $6m to $149m. *It is sitting* on a cash mountain of $2bn. *Surely it must be the happiest* airline in the business?

Actually, no: it is in trouble. Its third-quarter profit was largely due to windfall gains from a slump in jet fuel prices, and fell far short of producing an acceptable margin on revenue of $4bn. *Mr Stephen Wolf,* chairman and chief executive, has said that *UAL will still report a loss for the* fourth quarter and the year as a whole.

Worse, the company is failing to fend off growing competition from low-cost carriers such as

Surely United must be the happiest airline in the business?

Southwest Airlines, which are encroaching on its markets and driving down fares.

Any other airline company in such difficulties would look vulnerable to a takeover. United is no exception. In United's case, however, it is not a competing airline that is bidding to take over the company, but the carrier's own employees.

For months, United's management has been conducting on-off talks with its labour unions over a deal to secure the company's future. This week the negotiations entered what appeared to be a make-or-break phase as the two sides met again to discuss a deal that could give union members up to 60 per cent of the company's equity in return for billions of dollars' worth of labour concessions. The company's *market capitalisation is about $3.7bn.*

The two sides have been driven together out of a mutual recogni*tion that United has little future* in its present form. Small carri*ers offering no-frills services are* turning domestic air travel into a low-margin commodity business in the US, and the larger carriers must cut costs to survive.

*United wants to respond by set*ting up a low-cost subsidiary to *take over its short-haul domestic* services. But that would mean *shedding thousands of jobs,* cutting wages and benefits and *increasing productivity through* changes in work rules.

With both sides anxious to avoid a potentially ruinous strike, the airline and its unions have been seeking a deal that would allow employees to take the net present value of the stream of earnings flowing from their labour concessions and trade it for shares in the company – a path already trodden at Northwest Airlines, where employees own 37.5 per cent of the equity, and Trans World Airlines, where they own 45 per cent.

Leaked details of the negotiations suggest the unions want 60 per cent of a recapitalised United Airlines in return for a package made up mainly of labour concessions. It would also comprise loan notes. They value the package at $5.5bn, but United says it is worth less. The company is believed to have made a counter-offer of a 50.1 per cent stake in return for an improved package from the workers, with an arrangement for the employee stake to rise to 60 per cent if certain performance criteria are met.

One reason why the talks have dragged on is that it is hard to inject a sense of urgency into them at a time when United appears to be in financial health. Significantly, the deals at Northwest and TWA were done only when the airlines were on the brink of collapse.

But the pressure is building up. United has threatened to pull out of short-haul domestic flights and to shrink the business down to a profitable core if it does not get a *deal with the unions soon. Last* month it showed it meant what it said by *agreeing the sale of its* flight kitchens business, employ*ing 5,200 people.*

This week the talks took a new turn with the arrival of a powerful intermediary: Mr Felix Rohatyn of Lazard Frères, the Wall Street investment bank. Mr Rohatyn is a respected deal maker who played a key role in saving the city of New York from bankruptcy in the mid-1970s. Earlier this year he served alongside Mr John Peterpaul, chief negotiator for United's machinists' union, on President Clinton's national airline commission.

Hopes are high that Mr Rohatyn will achieve the breakthrough that all parties desire. If he fails, United will unilaterally embark on a contraction of its business that will cut thousands of jobs from its 86,000 total. Nobody knows quite how the unions will respond, but they are unlikely to take it lying down.

NEC to put Y7bn in Groupe Bull

By Michiyo Nakamoto in Tokyo and John Ridding in Paris

NEC, the Japanese electronics company, said yesterday it *would invest Y7bn ($64.5m) in* Groupe Bull as part of a recapi*talisation of France's loss-mak*ing state-owned computer manufacturer.

The investment, which will add to the FFr8.6bn ($1.46bn) pledged by the French government and France Telecom, will maintain NEC's stake in Bull at 4.43 per cent. The two companies said they would expand co-operation in computers, electronic components and communications.

The Japanese company said it was essential to maintain its relationship with Bull if it was to continue developing its business in Europe. "Bull is an important strategic partner," said one NEC official.

The French company is an important customer for NEC's memory chips, of which it buys about Y1bn worth annually. It also buys liquid crystal displays and application-specific integrated circuits (Asics) from the Japanese company.

The two companies have co-op*erated on the development of* mainframe computers, particu*larly for the business market.*

According to the agreement *outlined yesterday,* Bull and NEC will extend their collabora*tion in both hardware and soft*ware, as well as in mainframes and personal computers. NEC will continue to supply Bull with liquid crystal displays, *Asics* and dynamic random access memory chips. Bull will help market NEC's products in Europe.

For Bull, yesterday's announcement is the second significant development since Mr Jean-Marie Descarpentries took *over as chairman in October. His* task is to restore the computer group to profitability and prepare it for privatisation. Bull is one of the 21 publicly owned companies slated for sale by the centre-right government of Mr Edouard Balladur.

The injection of fresh capital, however, is critical to the company's recovery. Accumulated losses over the past three years amount to almost FFr15bn ($256.8m), and the group's debts are estimated at about FFr10bn.

NEC's decision means all but one of Bull's principal shareholders have agreed to support the capital increase. IBM of the US, which owns 5.6 per cent of Bull, has not yet decided.

Early signs of recovery help Pilkington double its profit

By Maggie Urry

Pilkington, the UK glass maker, has made the most of a glimmer of recovery in some of its markets by doubling pre-tax profits from £15.1m to £30.5m ($45.4m), *in* the half-year to end-September.

The company suffered badly in the recession with annual profits plunging *from* £302m in 1990 to £41m in 1993. But yesterday Sir Anthony Pilkington, chairman, said "things are moving in the right *direction." The group's* shares rose 11p to 168p.

Sir Anthony remained cautious. He warned, for instance, that short-time working at *Ford* and Nissan car plants in the UK would *affect the second half.*

The interim dividend was cut from 2.93p to 1.5p. The *group said* this was to restore balance, after two cuts *to the second payout.*

Although Pilkington's largest subsidiary, the German glassmaker Flachglas, has been exposed to a 20 per cent downturn in German car production, continued strength in the housing market kept Flachglas in profit in the half year.

Continental Europe was still worsening, Pilkington said, while the UK was showing early signs of recovery. Results were improving in the US and were good in the southern hemisphere, including Latin America and Australia.

Results from Libbey-Owens-Ford in North America showed how a rise in volumes could lead to firmer prices and sharply higher profits. Volumes to auto*motive manufacturers* rose 6 per cent, to the replacement wind*screen market 13 per cent and to* the residential market 14 per *cent. Operating profits* from the US rose six-fold from £2.5m to *£15.4m on sales* 28.5 per cent higher at £341.3m.

Group borrowings rose to £1.02bn from £932m at the previous year-end, following the £95m acquisition of Heywood Williams' glass division, giving gearing of 87 per cent. However, since the end of the half-year, Pilkington has received £200m in cash from the sale of Sola, its spectacle lens business, which also added £56m to shareholders' funds, and cut gearing to 67 per cent. An exceptional profit of £38m will be seen in the second half.

The group is aiming to bring gearing below 50 per cent by 1995. Further disposals are expected, but not in the second half.

Mr Andrew Robb, finance director, said cashflow had been marginally positive before capital *expenditure and acquisitions.* Mr Roger Leverton, chief executive, *said the group should be cash* positive for the year for the first *time since 1989.*

Details, Page 21; Lex, Page 14

Interim losses prompt restructuring at LIG

By Maggie Urry in London

London International Group surprised the market yesterday with interim losses, warnings of "very substantial" restructuring charges, plans to sell large parts of the business, a passed dividend and a proposed capital reconstruction. Mr Alan Woltz, non-executive chairman, is to resign once a replacement is found, probably by the financial year-end in March.

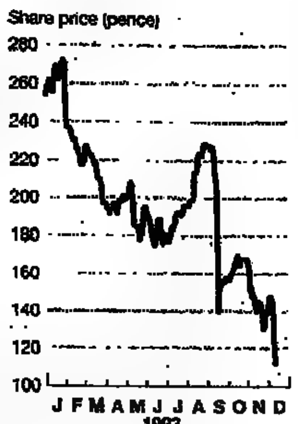
The shares slumped to 95p initially before recovering to 111p, a loss of 28p on the day. They have fallen from a year's high of 272p in January. The results followed a profit warning and the resignation of Mr Tony Butterworth, chief executive, in September.

Yesterday Mr Nick Hodges, new chief executive, said: "We are aware of the criticisms of the group over the non-delivery of promises. We intend to start a new era at LIG."

He added that the new management team, which includes Mr James Tyrell as finance director, had "only got one chance" to sort out the group's problems, but he was sure it could be returned to an acceptable level of profitability.

London International Group

Share price (pence)



Source: FT Graphite

A strategic review of the business had already been carried out, and LIG had decided to sell its ColourCare photo-processing division and some of its health and beauty brands. It would concentrate on its "thin film technology" products, notably condoms, surgeons' and specialist gloves. It would build on global brands such as Durex condoms and Biogel surgeons' gloves.

There would also be further rationalisation, and 2,000 of the 7,000 jobs in the health and personal products division would go worldwide.

Analysts said they could not predict full-year figures because of the exceptional charges of these moves which could run into "tens of millions", one said.

The half-year showed a pre-tax loss of £5.1m ($7.59m) compared with a profit of £15.5m. Net debt had risen from £127.7m on March 31 to £153.9m on September 30. Shareholders' funds were £109.4m and there were £53.9m of intangible assets on the balance sheet.

Mr Hodges said a rights issue was not necessary, as disposals should raise "a substantial sum". He said the group was not breaching covenants on its loans, and had the full support of its banks.

Mr Hodges said the loss-making photo-processing division, which has more than 30 per cent of the UK market, was valued in the books at more than £30m. He said it was now "a question of getting the best available price, not waiting for what might come".

The group could also sell some of its toiletries brands, which include Woodward's gripe water, Wrights Coal Tar Soap, Galloways and Buttercup cough mixtures, Eucryl tooth powder, and, in Italy, the Mister Baby range of baby products.

Details, Page 22; Lex, Page 14

Provision news hits Pechiney share price

By John Ridding in Paris

Shares in Pechiney International, the French packaging company, fell sharply yesterday following Wednesday's announcement that it would take a provision of up to $75m to cover the purchase of excessive amounts of metals at unfavourable prices. The shares closed down FFr10.4 at FFr198.

The company, a subsidiary of Pechiney, the state-owned aluminium producer slated for privatisation, said it would still record significant profits this year. It planned to maintain its 1993 dividend at the FFr5 per share paid last year.

The provision was taken largely to cover long-term purchases of aluminium, mainly by American National Can (ANC), the company's US subsidiary. Pechiney said ANC had agreed forward purchases of the metal for 1993, 1994 and 1995 on the basis of prices of about $1,400 a tonne. Prices have fallen to below $1,200 since the contracts were agreed in the first half of the year.

Pechiney said the price conditions were "likely to result in an exceptional expense". It said the expense could reach a net charge of $75m, although this could be reduced through financial management measures to be taken soon.

Ironically, Pechiney's group results have suffered from the fall in the aluminium prices, a result of cheap imports from eastern Europe and the republics of the former Soviet Union.

However, Pechiney's aluminium plants are principally in Europe, and ANC buys the metals it uses for packaging on the US market.

AT&T sells final stake in Cir

By Haig Simonian in Milan

One of the longest, but ultimately least fruitful, cross-border partnerships in high technology has been wound down after the sale by AT&T of its remaining share in Mr Carlo De Benedetti's Cir holding company.

AT&T has placed 54.75m Cir shares, representing 10.1 per cent of the ordinary share capital, with a group of unidentified financial intermediaries. The transaction, at L1,398 a share, followed a gradual reduction in its stake earlier this year.

By late July, AT&T informed Italy's stock market authorities it had sold about 7 per cent of its Cir stock.

Yesterday's transaction was at a 5 per cent discount to the L1,477 closing price of Cir's ordinary shares on the Milan bourse on Tuesday, before Wednesday's national holiday, when the market was closed. As with the July transaction, the deal coincided with a period of relative strength for Cir stock, which has risen sharply from depressed levels in early 1993.

AT&T had for some time indicated it considered the Cir stake as a purely financial investment, with no industrial overtones. The biggest asset of Cir, in which the De Benedetti family is the main shareholder, is a large stake in Italy's loss-making Olivetti computers group.

The sale eliminates the last link between AT&T and companies associated with Mr De Benedetti after almost 10 years of high – and then unfulfilled – expectations. AT&T first invested in Olivetti in April 1984, when it bought 100m ordinary shares, representing about 21.8 per cent of the group, for L430bn ($257.5m).

Under the deal, AT&T acquired almost 500,000 Olivetti personal computers during the mid-1980s, allowing the Italian company substantial economies of scale. The US presence also allowed Olivetti researchers access to AT&T's famous Bell Laboratories, and reinforced the Italian group's financial standing.

The advantages for AT&T, which has taken a substantial loss on its investment, were always less obvious. One observer suggested yesterday the link gave the US company its first taste of international collaboration. It may even have helped to create the understanding of the computers industry that eventually led to AT&T's acquisition of NCR.

With hopes for a high-tech partnership between a US company – then exclusively in telecommunications – and Olivetti never reaching fruition, AT&T in October 1989 swapped its Olivetti stock for 17.1 per cent of Cir.

The investment has not been particularly successful in view of the recession and trading problems at Cir, which has been forced into loss owing to the difficulties at Olivetti. After indicating its desire to sell its shares, AT&T reached agreement with Mr De Benedetti on a broad timetable for disposal until mid-1994.

The sale should help Cir's share price by removing an element of uncertainty, in view of the publicity given to AT&T plans to sell its stake.

Investors may still be concerned, however, that the stake is being held by various brokers, pending a longer-term placing.

Swiss telecom sacks chief executive

By Ian Rodger in Zurich

Ascom, the troubled Swiss telecommunications equipment maker, yesterday sacked its chief executive, Mr Leonardo Vannotti, and announced the latest in a long series of divisional restructurings.

Ascom was formed in 1987 when three suppliers to the Swiss PTT merged. It has been struggling ever since to unify the three companies and to develop a strategy to cope with liberalised telecommunications markets.

Mr Vannotti, a highly-rated Swiss manager, became chief executive at the beginning of 1991. He had previously held senior positions with ABB-Asea Brown Boveri and Mr Stephan Schmidheiny's Unotec group.

He scored an early coup, acquiring Timeplex, a leading US supplier of corporate telecoms networks, enabling Ascom to increase its non-Swiss business rapidly.

However, in the past few months, the combination of recession and weak links in the corporate structure proved his undoing.

In April, Ascom shocked investors by announcing it would incur a 1992 net loss of SFr46m ($31.4m) and pass its dividend. Days earlier, it had forecast a profit of around SFr25m.

Mr Vannotti took full responsibility, but rashly predicted a return to profit this year. That forecast came back to haunt him in August when the group reported a loss of SFr79m in the first half and admitted it would face a "marked loss" in the full year.

Ascom bearer shares have been falling virtually ever since the merger, when they were worth about SFr8,000, and yesterday closed at SFr1,180, up SFr95 in advance of the announcement.

Directors said Mr Fred Sutter, deputy chief executive, would succeed Mr Vannotti, and they have formed a committee to direct the group during its restructuring phase.

Analysts said managing Ascom was made difficult by the interventionist policy of the Hasler Werke foundation, which holds 54 per cent of the voting power with 22 per cent of the capital.

Mr Serge Ledermann, head of equity research at Geneva bankers Lombard Odier, said there was no reason to have more confidence in the new management than the old. "Management by committee is always wrong," he said.

North West Water posts 6% rise in profits to £138.2m

By Peggy Hollinger in London

North West Water, the UK privatised utility, yesterday announced a 6 per cent increase in interim pre-tax profits, to £138.2m ($205.9m), and a slightly higher-than-expected dividend.

But its share price slipped 17p to 567p as the company reported a sharp drop in profits from non-regulated businesses, in which it has invested some £140m since privatisation.

The shares may also have been hit by North West's decision to delay paying the interim dividend until April 6. This will save the company advance corporation tax, but result in a lower tax credit for pension funds.

Mr Bob Ferguson, finance director, said the company had sought to compensate for the delayed dividend by increasing the payout from 7.13p to 7.67, against an expected 7.65p.

Earnings per share rose 16 per cent to 39.3p. Group sales were 7.5 per cent ahead at £455.3m.

Analysts also said the group was suffering from uncertainty over management succession following the abrupt departure last month of Mr Bob Thian, the chief executive closely linked to the group's international expansion. "The shares are likely to underperform because there seems to be a lack of senior management at the top," said one water industry analyst.

Sir Desmond Pitcher, chairman, has said he is anxious to appoint a replacement for Mr Thian, and has no intention of assuming a dual role.

North West suffered a 54 per cent decline in profits from non-regulated businesses, to £3.2m, on sales 10 per cent higher at £85.4m. Mr Ferguson said exchange rate movements had contributed about £9m.

The division had been hit by recession in the US and delays in federal funding of municipal projects. Mr Ferguson said the outlook was encouraging, however, with order books running 27 per cent ahead of last year.

Lex, Page 14

Correction

Swiss banks

Postbank, the German bank, has recently opened three investment funds co-managed by Union Bank of Switzerland. The co-manager was incorrectly reported in the Financial Times on Wednesday as Swiss Bank Corporation.

Trebruk takes 51% stake in paper group

By Anthony Robinson in London

Trebruk, the Swedish paper group, has completed a $56m limited recourse financing operation for Kostryzynskie Zaklady Papiernicze (KZP) which leaves it with a 51 per cent stake in the former loss-making, state-owned Polish paper company.

Trebruk acquired control of KZP for a nominal sum in October.

The new financing will provide working capital, pay off creditors, fund a $40m capital investment programme to raise production of fine papers to 250,000 tons annually and pay for a $5m environmental clean-up.

Funds have been provided by a group of Swedish investors and the European Bank for Reconstruction and Development (EBRD).

Of the $56m total, $25m will be provided by Trebruk and a group of Swedish investors. These include the Nordic Environment Finance Corporation and Swedfund International AB, which will each take 16 per cent of the increased equity, and Rottneros Bruk AB, a Swedish producer of chlorine-free pulp and a group of trade investors.

The EBRD is committing $32m but is still finalising syndication among a group of Polish and West European banks.

Samuel Montagu acted as adviser to Trebruk in a deal which will guarantee 1,000 jobs in Kostryn whose proximity to the German border and low production and distribution costs was one of the determining factors in the Swedish company's decision to take over the Polish company.

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Gold producer combines with subsidiary

By Laurie Morse in Chicago

Newmont Mining, the Denver-based gold company, and its partially-owned subsidiary, Newmont Gold are combining assets and operations in a complicated stock transfer that will make the two publicly-traded companies virtually identical.

Together, they constitute the world's sixth-largest gold producer.

The deal stops short of a full merger, which the company said could not be effected without creating a large accounting charge.

"It nevertheless is tax-free and satisfies the operating and financial purposes of a full merger," said Mr Ronald Cambre, chief executive officer of both companies.

Shares of the two companies will continue to trade separately on the New York Stock Exchange, but they should trade at nearly identical prices since they would have the same outlook, operating results and dividends.

Analysts welcomed the transaction, which still must be approved by Newmont Gold's public shareholders.

"This should clear up a lot of investor confusion about what the differences are between the two companies," said Phillip Martin, a gold company analyst at Gordon Capital.

Newmont Mining, once highly diversified, has shed Peabody Coal and other mining operations since 1986, and is now essentially a worldwide gold mining and exploration company that owns 90 per cent of Newmont Gold.

Newmont Gold has 19.5m ounces of gold reserves, mostly in Nevada's rich Carlin Trend. Their combination will give shareholders in both companies ownership of the same properties worldwide.

Their combined gold reserves will be approximately 26m ounces, and the company projects worldwide gold production will approach 2m ounces of gold annually by 1996.

US-Mexican media deal falls through

By Damian Fraser in Mexico City

The proposed joint venture between Tele-Communications, the US cable operator, and Televisa, the Mexican media group, has fallen through.

Under the joint venture TCI would have bought 49 per cent of Televisa's cable subsidiary, worth an estimated \$200m-\$400m. The two companies planned to combine to provide cable television and other services throughout Latin America.

The collapse comes ahead of next week's \$1bn secondary equity offering by Televisa, which will take the media group into the New York Stock Exchange. Televisa will sell 10 per cent of its equity.

TCI said the joint venture needed to be re-evaluated in view of the company's proposed merger with Bell Atlantic.

Bell Atlantic, which plans to buy 100 per cent of TCI, recently agreed to take a 42 per cent stake in Iusacell, Mexico's second-largest cellular phone company, for \$1.04bn.

One large Televisa shareholder said Bell Atlantic's stake in Iusacell complicated the transaction.

Mr Emilio Azcarraga, chairman of Televisa, said: "We concluded that it was in everyone's best interests to terminate the proposed arrangements in view of both parties' long-term objectives."

He said Televisa will continue to seek strategic alliances to expand businesses throughout the world.

Nova takes control of methanol producer

By Robert Gibbens in Montreal

Nova, the Alberta natural gas pipeline and petrochemicals group, is acquiring 24 per cent of Methanex, the Vancouver-based methanol producer, in a series of cash and stock deals.

Nova estimated the total value of the transactions, including the eventual public offer of part of Fletcher Challenge's Methonex holding, as C\$1.14bn (US\$861m). It will finish with effective control of Methanex, whose total annual capacity is 4.2m tonnes. Methanex will be the world's largest producer, with 14 per cent of total capacity.

Nova is acquiring its stake from Germany's Metallgesellschaft, whose interest will fall from about 10 per cent to less than 5 per cent, and from New Zealand's Fletcher Challenge resource and construction group.

In the deal, Nova will put its own methanol assets into Methanex for Methanex stock, and subscribe for new Methanex shares. It will buy 6.4 Methanex shares from Metallgesellschaft and 15.5m Methanex shares from Fletcher Challenge.

The balance of Fetcher's holding will be sold later via a public offer.

Nova, which has been restructured into a pipeline and petrochemicals group, last month sold its gas production unit in western Canada to Seagull Energy of the US for C\$375m.

"The Methanex deal gives Nova the opportunity to participate in one of the world's leading suppliers of methanol," said Mr Terry Poole, Nova's senior vice president.

Nova already has a strong methanol marketing presence in North America and Asia.

Correction

Hoechst

Hoechst, the German chemicals group, does not plan to seek a listing in New York some time after 1994, as wrongly indicated due to agency error on Tuesday.

Canadian banks go their different ways

Bernard Simon reports on the disparate results produced under the same conditions

It's hard to believe a group of companies in the same country doing much the same kind of business can produce such disparate financial results as Canada's big banks have in their latest fiscal year.

The six banks' return on equity for the year to October 31 ranged from a low of 2.4 per cent at Royal Bank of Canada to a middling 9.9 per cent at Montreal-based National Bank to Bank of Nova Scotia's impressive 14.4 per cent.

While Bank of Montreal's loan-loss provisions grew by 23 per cent to C\$675m (US\$510m), Canadian Imperial Bank of Commerce reported a drop of almost 50 per cent to C\$920m.

"I can't easily recall – except for the time of LDC provisioning – when there was less comparability between banks," says Mr Robin Korthals, Toronto-Dominion's president.

If the stock market is any guide, the one common thread in the banks' performance is that business prospects are improving after three years of spiralling loan losses and slack credit demand. Bank of Nova Scotia's share price has risen by 27 per cent on the Toronto stock exchange this year. Despite its lacklustre performance, Royal Bank's shares have jumped from C\$24.62 to C\$28.

Ms Donna Toth, analyst at Nesbitt Thomson in Toronto, says her firm has the bank sector at the top of its list of recommendations. The optimism is based on early signs that the banks' non-performing loan portfolios are starting to shrink as economic recovery takes hold. With the banks' prime lending rate at 5.5 per cent, its lowest level in 30 years, investors are banking on a revival in credit demand. Ms Toth adds that dividend yields are attractive.

Mr Korthals takes a more cautious view, predicting that credit demand will be "anaemic" for at least the next six months and stiff competition will continue to compress margins.

He says: "Borrowing is predicated on anticipation of price movement more than economic activity." Although the North American recovery is gathering steam, inflation remains low.

The wide disparity in 1993 earnings is partly explained by various charges and recoveries, whose size and timing is largely a matter of discretion.

Several banks cushioned the impact on their income statements of loan losses in the hard-hit North American real estate and natural resource sectors by reversing provisions made during the 1980s on loans to then-troubled Third World borrowers, mostly in Latin America.

Toronto-Dominion and Royal were hit by charges to cover the cost of integrating the operations of recently-acquired trust companies. But their accounting treatment varies.

CANADIAN BANKS – YEAR TO OCTOBER 31 1993

	Assets (C\$bn)	Net income (C\$m)	Loan loss provisions (C\$m)	Return on equity (%)
Royal Bank of Canada	164.9 (138.3)	300 (107)	1,750 (2,050)	2.4 (negative 0.3)
CIBC	141.3 (132.2)	730 (12)	920 (1,835)	10.6 (negative 2.0)
Bank of Montreal	116.9 (109.0)	709 (640)	675 (550)	14.1 (14.1)
Bank of Nova Scotia	107.6 (98.2)	714 (676)	465 (449)	14.4 (15.7)
Toronto-Dominion	85.0 (74.1)	275 (408)	600 (543)	5.4 (8.4)
National Bank of Canada	42.7 (40.0)	175 (1)	325 (570)	9.9 (negative 2.6)

1992 figures in parentheses

Toronto-Dominion set aside C\$140m as a special item for its purchase of Central Guaranty Trust, which involved closing 90 branches of the now-defunct trust company. Royal's takeover of Royal Trust will mean closing only 43 branches.

But it charged C\$300m against fourth-quarter earnings, in the form of a non-interest expense.

The writedown will probably enable the bank to report a huge improvement in next year's earnings, which Ms Toth estimates at C\$3.08 per share, up from 46 cents in 1993.

The banking industry is buzzing with rumours that a good performance in 1994 will clear the way for Mr Allan Taylor to step down as Royal's chief executive.

The banks' divergent performances may continue for several years as each responds in its own way to regulatory reforms and fast-changing markets.

"They all looked like one big homogenous glob in the 1980s," says Ms Kathy Humber, analyst at Wood Gundy. "They are now starting to differentiate themselves."

Royal, Bank of Nova Scotia and Toronto-Dominion have all snapped up trust companies this year to broaden their exposure to the "wealth management" services, which are expected to be in increasing demand from an ageing population.

Bank of Montreal has eschewed this strategy in favour of building on the trust business of its Chicago-based subsidiary, Harris Bankcorp. It contends that Canadian banks do not need more branches, and that much of the trust companies' business is no different from the banks.

Bank of Montreal is also the odd man out in the banks' recent rush into insurance. Its attitude – at least for the time being – is that it can add little value to an insurance company, and that bank branches cannot easily handle the sale of insurance policies.

Mr Anthony Comper, Bank of Montreal's president, says that his bank's main growth areas will include Harris' retail network, North American investment banking and US corporate business. In five years' time, "we will be significantly bigger in the US than now", he says.

The other banks are also keen to make a splash in the US and Latin America, especially Mexico. The three which have recently bought trust companies, however, may have their hands full in Canada for the time being.

Tofas public offer withdrawn

By John Murray Brown in Istanbul

The Turkish government has cancelled plans for a \$550m public offer on the New York Stock Exchange of its 21 per cent shareholding in Tofas, Turkey's largest carmaker.

It has done so after objections from Fiat which owns 42 per cent of Tofas. The Italian motor group is understood to have opposed the full SEC listing on legal and disclosure grounds.

Turkish officials confirmed that Shearson Lehman Bros and J. Henry Schroder Wagg, the banks mandated to sell the government's shares, were preparing a more restricted private placement with US institutional investors.

The Public Participation Administration, the government agency handling state asset sales, is due to meet the company in Istanbul today. It hopes to conclude the Tofas share sale by the end of March.

Koc Holding, Turkey's largest industrial conglomerate, holds 34 per cent of Tofas.

Tofas would have been the first full registration of Turkish stock with the SEC. Bankers say Fiat was concerned that the offering could expose the company to potentially costly legal disputes with individual shareholders.

Brokers point out that by restricting the sale to big institutions, Fiat will be in a better position if at some future date it decides to seek majority control of Tofas.

The decision is a setback for the PPA, at a time when it is trying to revive the government privatisation effort.

A World Bank team is due back in Ankara on Monday to conclude negotiations on a \$30m loan to support privatisation. The government is poised to award a mandate to implement the sale of Tupras, the state refineries concern and Petrol Ofisi, the petrol retail arm.

The government is planning to sell its 18 per cent stake in Tofas Otomobil Ticaret, the retailer.

Litton subsidiary buys back shares for \$558m

By Richard Waters in New York

Litton Industries' oil services subsidiary, Western Atlas, is to pay \$558m to buy back a block of its own shares as part of a series of measures to shape it as a free-standing company.

Western Atlas will pay \$358m in cash and \$200m in seven-year notes to buy the 29.5 per cent of its shares held by Dresser, another oil services company.

Western Atlas, which derives 60 per cent of its annual \$2bn sales from oil services and the rest from industrial automation, is expected to be spun off before the end of the year. Litton shareholders will receive one share in the new company for each Litton share they own.

Litton added that it would take an after-tax charge of \$172m in the current quarter to reflect the accelerated depreciation of some of Western Atlas' assets. The subsidiary specialises in the use of information technology in exploration and drilling operations and demand for the newest technology had been stronger than expected, forcing the accelerated write-downs of older equipment.

Mr Alton Brann, president and chief executive, said the purchase would allow both Litton and Dresser to concentrate on their core businesses.

INTERNATIONAL COMPANIES AND FINANCE

Setback prompts review of bank sales

By Julian Ozanne in Jerusalem

Israel is reviewing how best to continue with the sale of the country's leading banks after the privatisation drive suffered a setback recently on the Tel Aviv stock exchange.

One option being considered by the finance ministry is the sale of a controlling stake of 20 per cent in Bank Leumi by tender, before any more shares are sold in Tel Aviv or New York. The offering values the bank at around Shk5bn ($1.7bn).

A public offering of 10 per cent of shares in Bank Leumi was cancelled last month after an issue of 10 per cent of Bank Hapoalim, Israel's biggest bank, flopped. In September an issue of 10 per cent of Bank Leumi was heavily over-subscribed.

Mr Gil Leidner, managing director of MI Holdings, the government organisation overseeing the sale of bank shares, said yesterday that selling a controlling interest in Bank Leumi by tender was one of many options, and a final decision would be taken in two to three weeks. "At the moment everything is speculation," he said.

Bankers, however, said the government was being forced to consider other options for the sale of Bank Leumi. They said an early sale by tender was a possibility, as a share issue in New York would be complicated and could be harmed by negative political developments.

Meanwhile, the central bank is reviewing the financial records of four groups interested in a controlling share of United Mizrahi Bank (UMB), the country's fifth largest banking group, before issuing the contenders a licence to qualify for the tender.

The government plans to sell a block of between 25.1 per cent and 51 per cent of the issued share capital of UMB, which last year posted net profit of Shk115m. The central bank is expected to complete its review within six weeks, and the bidding for UMB would start in April or May next year.

Banks losing patience with Esco

By Robert Thomson in Tokyo

Hokkaido Takushoku Bank, the Japanese commercial bank, is close to cutting the loan lifeline to Esco Leasing, a troubled finance company which has borrowed a total of Y230bn ($2.02bn) from 33 Japanese institutions.

For the past two years, Hokkaido Takushoku has been attempting to restructure Esco, but the company has been unable to recover its own Y200bn loan to another finance company, Easy Capital and Consultants, which pumped much of the money into the property market.

Esco is also based on the northern island of Hokkaido, and expanded aggressively during the so-called bubble years of the late 1980s when stock and property prices soared.

The ensuing collapse in asset values left many financial companies exposed and forced their banks to bail them out.

A restructuring plan for Esco was agreed by the 33 banks in March last year, when they accepted a cut in their interest repayments for two years.

However, the banks are close to concluding that Esco is a hopeless case and that their exposure should be written off.

Hokkaido Takushoku, often known as Takugin, has a ratio of non-performing loans to total loans of 5.39 per cent, the highest among Japan's 11 leading commercial banks. However, these official totals are generally regarded as a conservative estimate of the banks' exposure.

Japanese banks are becoming more aggressive in writing off bad loans, and the Esco case would be a warning to other troubled financial companies that their banks are not prepared to extend unlimited support for a restructuring. Banks are likely to follow the lead of the main bank, which in this case is Takugin.

The 33 banks say they have collateral worth about 60 per cent of their Y220bn exposure.

However, as many banks have discovered, the value of property collateral can be far less than the book value of three or four years ago.

Western cash fuels Chinese growth

New fund targets China's auto parts industry, writes Alexander Nicoll

Mr Tim Clissold and his colleagues at Pacific Alliance Group, a Hong Kong merchant bank, have spent months travelling around China with one purpose: to examine motor components factories needing money and technology for expansion.

Within the next few months, his trips to nearly 100 factories, many in remote areas, should start to bear fruit. Pacific Alliance is a sponsor of a fund, launched recently, which will invest solely and directly in production of Chinese auto parts.

China Automotive Components Group, also sponsored by Trust Company of the West, a US asset management concern, and Dean Witter Capital Corporation, the New York brokerage, is a limited partnership which is being privately placed mainly in the US. The aim is to raise $150m in minimum amounts of $1m. The partnership is domiciled in the Cayman Islands.

If successful, the investment vehicle will be unusual among the 40 or so funds which profess to invest in China. Since opportunities for direct participation in China by portfolio investors are limited, most funds direct a significant proportion of investors' money into the Hong Kong stock market.

Some funds do target unlisted Chinese companies with the aim that the companies obtain stockmarket listings as they (and the Chinese markets) develop.

Chinese vehicle production (000s)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Trucks/cars/minibuses	240	316	443	373	473	647	587	509	714	1,080
Motorcycles	287	528	1,045	635	734	1,171	1,032	966	1,317	1,982

Source: Pacific Alliance Group from official figures

Investors in China Automotive Components Group will, however, be tied directly to unquoted companies in one sector of one industry. Moreover, they will be tied specifically to three Chinese entities in an elaborate form of joint venture.

The aim is not simply to use the knowledge of the sponsors to pick investments, but to help build a group within China with a critical mass sufficient to have a strong impact on the market. The sponsors have already identified 25 components factories, making such items as pistons, clutches and spark plugs, at which they would form joint ventures and inject capital and technology.

The sponsors have already identified 25 components factories at which they would form joint ventures and inject capital and technology

The Chinese partners are China National Automotive Industry Corporation (CNAIC), the government body which co-ordinates the Chinese motor industry; China North Industries Corporation, generally known as Norinco, the leading arms producer which has turned increasingly to civilian products and is China's largest integrated automotive manufacturer, with 70 components factories; and the municipal government of Changchun, a north-eastern city which is China's equivalent of Detroit.

The rationale for investing in the motor industry is clear, with China's economic boom raising incomes and creating enormous demand. As Mr Clissold, managing director of Pacific Alliance, says: "700m Chinese have bicycles and would prefer to have motorcycles." Norinco factories already have 40 per cent of the motorcycle market and are looking to expand their output both of parts and the finished product.

China has carefully controlled the expansion of the motor vehicle industry, and car production remains low: only 164,300 passenger cars were built last year. However, according to Pacific Alliance Group, CNAIC expects production to grow at about 30 per cent a year to reach 1.53m in 2000.

The main assemblers of cars and light trucks, which are joint ventures with foreign manufacturers or have other types of foreign involvement, are under pressure to increase local content. However, foreign investment in the Chinese component industry has been relatively slight.

"What we're looking for are factories which want to increase their production and need the money to expand," says Mr Clissold. In some ventures, there is also a need to inject new technology. Where a projected investment is large enough to justify it, the bank's team is followed to a factory by a team from A. T. Kearney, the US consultants, who develop an operating plan. A separate team with experience of the US car industry also visits factories.

The aim is that the ventures in which the partnership invest should be ready to be listed publicly within three to five years.

Robt Jones ordered to pay record damages

By Terry Hall in Wellington

New Zealand's court of appeal yesterday ordered Robt Jones Pacific, a subsidiary of Tasman Properties, to pay NZ$73m (US$40.5m) damages to McConnell Dowell for withdrawing from a contract in 1990 to buy New Zealand's tallest building.

The decision reverses a high court ruling that Robt Jones Pacific did not need to pay damages.

The damages are believed to be the highest in New Zealand history. McConnell Dowell said it also intended to seek up to NZ$23m in costs. If awarded, the costs would exceed Tasman's shareholders' funds of NZ$83m.

Robt Jones Pacific signed a complex agreement in 1988 with McConnell Dowell under which it agreed to purchase the 41-storey building in Auckland. However, when the building was near completion Robt Jones Pacific said it would not buy it, as conditions specified in the contracts had not been met.

McConnell Dowell said it was delighted with the latest ruling, saying it totally vindicated its view that Tasman Properties had unlawfully breached the contract.

James Hardie falls to A$19.5m after six months

James Hardie, the Australian building materials group, yesterday reported a slump in first-half profit after tax and abnormals to A$19.5m (US$13m) in the six months to end-September, writes Nikki Tait in Sydney. This compared with A$30.3m in the same period of 1992.

Abnormal items accounted for A$7.7m, against nil last time. Operating revenues were A$822.5m, compared with A$723.9m.

Mr John Reid, chairman, blamed the fall in interim profits on a flattening-out in the building market.

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BEAR STEARNS MORTGAGE SECURITIES No 1 PLC
£96,190,900
11½ per cent. Mortgaged Backed Bonds due 2017

Notice is hereby given that BEAR STEARNS MORTGAGE SECURITIES No 1 PLC has changed its corporate name to PLATFORM HOME MORTGAGE SECURITIES No 1 PLC as from 15th November, 1993.

The Global Bond will be neither stamped nor exchanged and the listing of the Bonds on the Luxembourg Stock Exchange will continue under the former name of BEAR STEARNS MORTGAGE SECURITIES No 1 PLC followed by the new name of PLATFORM HOME MORTGAGE SECURITIES No 1 PLC.

For and on behalf of the Issuer
PLATFORM HOME MORTGAGE SECURITIES No 1 PLC

First International Funding Co.
Floating Rate Notes

Pursuant to the Indenture dated as of June 3, 1993 among the Issuer, State Street Bank and Trust Company as Trustee, and Financial Security Assurance Inc. as the Insurer, notice is hereby given that for the Interest Accrual Period from December 3, 1993 to March 3, 1994, the applicable Note Interest Rates are: for the Notes due 1996, 3.95%; for the Notes due 1998, 4.05%; and for the Notes due 2000, 4.20%.

Ssangyong Cement Industrial Co., Ltd.
(Incorporated in the Republic of Korea with limited liability)

Notice to the Holders of the Outstanding
U.S. $70,000,000
3 per cent. Convertible Bonds due 2005
(the "Bonds")
of
Ssangyong Cement Industrial Co., Ltd.
(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the rights issue by the Company to its employees and to preferred stock holders as well as to common stock holders to subscribe for up to 4,193,306 shares of common stock of the Company described in the Notice given to the holders of the Bonds on 9th September, 1993, and also as a result of the bonus issue of 3,214,868 shares of common stock of the Company to the preferred stock holders and to common stock holders on 25th November, 1993, the existing Conversion Price per share of common stock of the Company has, pursuant to the provisions of the Trust Deed, been adjusted from W25,665 to W25,592 with effect on 18th October, 1993 (the record date for the issue of the rights to the preferred stock holders), then to W24,923 with effect from 19th October, 1993 (the date after the record date for the issue of the rights to the common stock holders) and then to W22,487 with effect from 25th November, 1993 (the record date for a bonus issue).

Ssangyong Cement Industrial Co., Ltd.

10th December, 1993

The Japanese Warrant Fund
Société anonyme d'investissement
45 rue des Scillas, Howald, Grand Duchy of Luxembourg
RC Luxembourg B 31629

NOTICE TO SHAREHOLDERS

Shareholders are advised that the board of directors resolved that in the light of the evolution of the Japanese warrant market in the recent past it has considered the enlarged use of covered warrants and the use of derivatives in order to pursue the investment objective of the Fund.

The Board resolved that the Fund:

(a) shall not invest more than 10 per cent. of its net assets in the securities of any one issuer, provided however that this limit shall not apply to securities issued by a member state of the Organisation for Economic Cooperation and Development ("OECD"), its local authorities, or public international bodies of which one or more such member states are members. However, this restriction shall not be applicable to covered warrants provided that (i) the Fund shall not invest more than 35% of its net assets in covered warrants issued by any one institution, (ii) the Fund shall not invest more than 10% of its net assets in warrants and/or covered warrants which give the right to acquire shares of the same issuer and (iii) the Fund shall not invest more than 35% of its net assets in covered warrants;

(b) shall not deal in options on securities unless the following limitations are observed:-
  (i) put options will not be written;
  (ii) call options will only be written if such writing does not result in a short position and if the aggregate of the total exercise prices, payable under such options written does not exceed 25 per cent. of the total value of the portfolio securities held by the Fund; and
  (iii) no option will be purchased unless it is quoted on an official stock exchange or regularly dealt in on a recognised market and if, immediately after its acquisition, the aggregate cost of all options held by the Fund (in terms of premiums paid) does not exceed 15 per cent. of the net assets of the Fund;

(c) shall not acquire or deal in forward currency contracts or financial futures, except that the Fund may, for the purpose of hedging currency risk and risk of fluctuation of the value of portfolio securities:
  (i) hold forward currency contracts for amounts not exceeding, respectively, the aggregate value of securities, cash and deposits held by the Fund denominated in a particular currency;
  (ii) hold financial futures in amounts not exceeding the corresponding risk of the fluctuations of the value of the Fund's assets.

(d) may acquire stock index options provided that the acquisition price thereof does not exceed 25 per cent of the Fund's net assets and provided further that the acquisition price of stock index options having the same exercise date and the same striking price shall not exceed 15 per cent. of the Fund's net assets and further provided that the contracts are dealt in on a regulated market which is operating regularly, recognised and open to the public. If the Stock Index Put Options acquired are to be used for hedging purposes the transaction presupposes that there exists sufficient correlation between the composition of the index used and the portfolio.

(e) may deal in stock index futures for the purpose of hedging the risk of the fluctuation of the value of the Fund's securities portfolio provided the amounts involved do not exceed the corresponding risk of the fluctuation of the value of the Fund's assets and further provided that the contracts are dealt in on a regulated market which is operating regularly, recognised and open to the public. The hedging purpose of the transaction presupposes that there exists sufficient correlation between the composition of the index used and the portfolio.

(f) may also have long positions in stock index futures provided the net commitments of the Fund resulting from such futures contracts do not exceed 30 per cent. of the Fund's net assets;

(g) may hedge its assets by purchasing put options on index futures in order to protect the Fund against the estimated decline in net asset value resulting from a fall in the market. Consequently, the value of the underlying securities composing these indices may exceed the value of the securities portfolio of the Fund to the extent deemed necessary to take into account the gearing ratio inherent in the Fund's investments. The aggregate acquisition cost (premiums paid) or if lower, the market value of all such index options held shall not at any time exceed 5% of the net assets of the Fund. This percentage shall be cumulative to those percentages applicable to investments by the Fund in options on securities.

(h) may invest in shares and convertible stocks in addition to warrants.

DOMUS MORTGAGE FINANCE NO 1 plc
£100,000,000
Mortgage Backed Floating Rate Notes due 2014

In accordance with the conditions of the Notes, notice is hereby given, that for the three month period 8 December 1993 to 8 March 1994 the Notes will carry a rate of interest of 5.6625 per cent per annum with a coupon amount of £1396.23.

CHEMICAL
As Agent Bank

3i Group plc
£125,000,000
Guaranteed floating rate notes 1997

For the three months period 8 December 1993 to 8 March 1994, the rate of interest has been determined by S.G.Warburg & Co. Ltd at 5.6875 per cent per annum.

Interest payable on 8 March 1994 will be £140.24 per £10,000 note and £1,402.40 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Nationwide
£250,000,000
Floating rate notes 1995

Notice is hereby given that the notes will bear interest at 5.3656% per annum from 8 December 1993 to 8 March 1994. Interest payable on 8 March 1994 will amount to £132.30 per £10,000 note and £1,323.02 per £100,000 note.

Nationwide Building Society

Agent: Morgan Guaranty Trust Company

JPMorgan

Gilts continue to benefit from post-auction euphoria

By Sara Webb in London and Frank McGurty in New York

UK government bonds continued to rise yesterday, benefiting from post-auction euphoria, the favourable inflation background and hopes of another base rate cut.

GOVERNMENT BONDS

In spite of all the new supply, the gilt market managed to rise a further ¾ of a point at the long end yesterday.

The Bank of England – which succeeded in selling £3bn of 6¾ per cent stock due 2004 at Wednesday's auction – sold at least another £800m of assorted tap stocks yesterday as investor appetite for gilts remained strong.

The Bank sold out two of the four tranches announced on Wednesday afternoon: a £400m tranche of 6 per cent stock due 1999 and a £400m tranche of 8 per cent stock due 2013, both of which were exhausted early in the day.

Dealers said the low inflation background was generating a lot of interest in longer-dated gilt issues, especially since the November RPI figure due out next week was expected to be good.

In addition, some investors appeared keen to put any surplus cash into the market for the year-end.

"No-one wants to be seen sitting on cash, given the shape of the yield curve," said one dealer.

■ European government bonds showed strong gains on hopes of lower interest rates and led mainly by a technical rally in the German market.

The German long bond futures contract, which opened at 100.46, reached an all-time high of 100.87 before slipping back to 100.77 by late afternoon.

Dealers said once the contract broke through its previous high of 100.66, it spurred a flurry of buying which drove the market higher. The long end of the market outperformed the short end, leading to a flattening of the yield curve.

Also providing a welcome lift for bunds was the downward revision yesterday in western Germany's November inflation rate to 3.6 per cent year-on-year from a preliminary 3.7 per cent.

■ French government bonds continued their rally, taking their cue from the German market and helped by the strength of the franc which stayed comfortably within its former European exchange rate mechanism bands.

"People are expecting to see a German rate cut and that would pave the way for the Bank of France to ease," said one dealer.

The March futures contract on the Matif ended up 0.26 at 129.30, while in the cash market, investors were mainly interested in longer-dated issues.

The November consumer price data is due to be released today and is expected to show a rise of 0.1 per cent from October, giving a year-on-year rise of 2.2 per cent.

■ The high-yielding European bond markets of Spain and Italy spurted, but the sharp rise was more a sign of them catching up with the other European markets after the recent public holidays, rather than a reaction to domestic news.

The Italian government bond future rose to a high of 117.00 up from Wednesday's close of 116.61.

In recent days, investors have been shifting out of three-year bonds and switching further up the yield curve to the five-10 year area.

■ The US Treasury market bounced back yesterday morning from a setback that immediately followed news that an important measure of producer prices had risen at a slightly higher-than-expected rate.

By midday, the benchmark 30-year government bond was trading ⅝ ahead at 101⅝, with the yield easing to 6.143 per cent.

On the short end, the two-year note was unchanged at 100⅛, to yield 4.149 per cent.

With traders widely anticipating a very positive reading, the release of November price data was a letdown.

The Labor Department said that core prices, excluding the more volatile food and energy components, had increased 0.4 per cent, while the overall rate was unchanged. Forecasts had centred on a 0.2 per cent rise in the core rate.

French group issues first warrants on SBF 120 stock index

By Tracy Corrigan

Société Générale Equities & Derivatives has issued the first warrants on France's new SBF 120 stock index, launched on Wednesday.

The SBF 120 includes medium-sized as well as large companies, representing more than 80 per cent of the capitalisation of the Paris stock exchange, compared with 56 per cent for the CAC-40 index.

"The SBF 120 is more sensitive to an economic upturn than the CAC-40, with a higher representation of sectors which should benefit earlier from the recovery," according to Mr Frédéric Redel, French strategist at SGED.

Sectors with greater representation in the SBF 120 include construction, durable goods and retail.

The issue consists of 1m call and 1m put warrants, exercisable from December 30 1993 to December 30 1994. There are four tranches of call warrants, with strike prices of 1,400, 1,500, 1,600, 1,700 and four tranches of put warrants with strike prices of 1,300, 1,400, 1,500 and 1,600.

The index, compiled by the Société Française des Bourses, is computed only at the market's opening and closing, but will become continuous in March.

● Barclays de Zoete Wedd has launched two issues of call warrants on the three-year Italian swap rate denominated in Swiss francs.

The warrants are aimed at Swiss investors who wish to position themselves for declines in Italian interest rates.

The issue consists of 20,000 six-month call warrants on the three-year swap rate with a strike price of 7.96 per cent and 30,000 one-year call warrants with a strike price of 8.23 per cent.

Both issues are European-style warrants.

Argentina increases global bond offering to $1bn

By Antonia Sharpe in London and John Barham in Buenos Aires

Strong demand from US investors, confident that the Republic of Argentina would achieve an investment-grade rating before too long, enabled the sovereign borrower to increase the size of its first offering of global bonds to $1bn from $750m.

INTERNATIONAL BONDS

Demand was such that the 10-year bonds were priced to yield 280 basis points over US Treasuries, at the low end of the indicated range of 280 to 285 basis points. When the bonds were freed to trade, the spread tightened to 276 basis points.

Mr James Quigley, managing director in charge of global debt syndicate at Merrill Lynch, one of the three joint leads, said that Argentina had secured a yield spread which reflected a strong double-B rating rather than a single-B rating.

"The market expects further upgrades in Argentina's rating in 1994," he said. The sovereign borrower is rated B1 by Moody's and double-B minus by Standard & Poor's.

A total of $1.25bn was allocated to investors, of which $200m was placed in Argentina, leaving some underwriters with short positions. Of the remainder, 60 per cent was placed in North America and 40 per cent in Europe and Asia.

Mr Quigley said at least half of the bonds which were sold in the US were bought by traditional, investment-grade portfolio managers, as opposed to junk-bond or emerging-market investors.

Mr Daniel Marx, Argentina's finance under-secretary, said the proceeds of the issue would be used to re-finance maturing debt.

The larger-than-expected issue would enable Argentina to build up its currency reserves and be less active than planned in the debt market early next year.

Hong Kong & Shanghai Hotels, which owns the Peninsular Hotel in Hong Kong, tapped the Eurodollar sector with a $150m seven-year offering of convertible bonds.

Lead manager BZW said the indicated conversion premium of 16 per cent to 19 per cent, which was more generous than other recent convertible offerings from Hong Kong issuers, reflected the issuer's desire for good placement.

Elsewhere, the sterling bond market was swamped with new issues as issuers took advantage of the strength in the UK government bond market to raise money before the end of the year.

Scottish Amicable became the first UK mutual life insurance company to raise debt capital in the international bond market with its £100m issue of undated subordinated bonds.

More mutual life insurance companies could well follow suit, now that the Department of Trade and Industry has indicated that insurance companies may raise external capital prior to the implementation in the UK of the European Community's third life directive.

Mr Roy Nicolson, Scottish Amicable's managing director, said the proceeds of the offering would fund potential ventures in the UK and Europe. The bonds, via Kleinwort Benson, were priced to yield 190 basis points over the 8¾ per cent gilt due 2017.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
HSH Overseas Finance(a)§	150	(5.00)	100.00	Jan.2001	2.50	-	Barclays de Zoete Wedd
Indosuez Capl.Fund. No.1(b)‡	100	(b)	99.40R	Dec.2005	undiscl.	-	Morgan Stanley Intl.
Telcel International	50	9.00#	100.00R	Dec.1998	1.125R	+450(4⅝%-98)	Chase Investment Bank
Banco del Sud	50	8.125#	99.778R	Dec.1996	1.00R	+375(4⅜%-96)	Bear Stearns Intl.
Spintab(c)‡	50	(c)	99.90R	Jan.1999	0.20R	-	Fuji Intl. Finance
D-MARKS							
European Investment Bank(d)	500	5.75	103.88	Oct.1998	1.375	-	Dresdner Bank
STERLING							
Mutual Group (US)	125	7.25	98.844R	Jan.2004	0.50R	+85 (6¾%-03)	Barclays de Zoete Wedd
Scottish Amicable Finance(e)	100	8.50	98.090R	undated	0.625R	+190(8¾%-17)	Kleinwort Benson
YEN							
Republic of Finland	45bn	2.75	100.00R	Jan.1999	0.25R	+29(4.7%-98)	Daiwa Europe
FRENCH FRANCS							
Crédit National(f)	300	5.75	99.812R	Jan.2002	0.35R	+14 (6½%-01)	Crédit Lyonnais

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable from 6/1/97, subject to 130% rule, at par. b) Coupon: 6-month Libor +1%. Callable on any interest payment date from 20/12/97 at par. c) Issue launched on 30/11/93 was increased to $100m. Coupon pays 3-month Libor + 0.25%. d) Fungible with outstanding DM500m. Plus 67 days accrued interest. e) Short 1st coupon. Repayable on 30/6/2018 and every 5 years thereafter, or exchanged for new bonds with a coupon the higher of the existing coupon or the then current 5-year gilt +290bp. f) Bunny bonds: investors have option for coupons to be paid in cash or new bonds issued at par.

Sweden plans to expand foreign currency loans

By Christopher Brown-Humes in Stockholm

Sweden said yesterday it expected to borrow an additional SKr20bn-SKr30bn in foreign currency next year to meet its financing requirements.

This means its foreign currency borrowing requirement during 1994 will amount to SKr85bn-SKr95bn, including refinancings of maturing debt.

The country is one of the biggest borrowers in the international capital markets as its budget deficit has climbed to 15 per cent of gross domestic product, one of the highest levels in western Europe.

The government said net currency borrowing of SKr20bn-SKr30bn next year meant the foreign currency element in the funding of state debt would fall slightly.

According to the national debt office, Sweden's total debt in foreign currency at November 30 1993 amounted to SKr374bn, equal to 34 per cent of central government debt.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.4100	-0.200	6.75	6.84	6.82
Belgium		9.000	03/03	118.1200	+0.440	6.61	6.83	7.04
Canada *		7.500	12/03	106.2000	+0.560	6.64	6.77	6.81
Denmark		8.000	05/03	112.3000	+0.400	6.23	6.38	6.44
France	BTAN	8.500	05/98	109.6400	+0.250	6.26	6.07	6.09
	OAT	6.750	10/03	105.4500	+0.340	5.90	6.02	6.09
Germany		6.000	09/03	101.5400	+0.160	5.79	5.87	5.88
Italy		9.000	10/03	101.5100	+1.220	8.76†	9.45	8.93
Japan	No 119	4.800	06/99	111.2310	+0.050	2.49	2.57	2.83
	No 157	4.500	06/03	109.5670	-0.150	3.18	3.31	3.49
Netherlands		6.500	04/03	105.8300	+0.350	5.70	5.84	5.84
Spain		10.500	10/03	114.3500	+0.800	8.31	8.55	8.65
UK Gilts		9.750	01/98	114-19	+4/32	5.66	5.87	6.21
		8.000	06/03	111-21	+7/32	6.35	6.52	6.65
		9.000	10/08	122-08	+14/32	6.63	6.79	7.20
US Treasury *		5.750	08/03	100-25	+13/32	5.64	5.80	5.68
		6.250	08/23	101-16	+18/32	6.14	6.26	6.19
ECU (French Govt)		8.000	04/03	112.8200	-0.030	6.16	6.35	6.44

London closing. *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.18	125.34	+0.24	125.40	125.12	64,188	97,5733
Mar	129.14	129.30	+0.26	129.36	129.04	163,927	104,663
Jun	128.60	128.70	+0.24	128.70	128.60	706	2,965

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
125	-	-	-	-	0.12	-
126	-	3.45	-	0.02	0.21	-
127	2.32	2.59	-	0.05	0.34	-
128	1.42	1.88	-	0.13	0.59	-
129	0.66	1.23	1.40	0.39	0.97	-
130	0.21	0.76	0.97	0.93	-	-

Est. vol. total, Calls 41,290 Puts 68,327. Previous day's open int., Calls 194,370 Puts 169,065.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.46	100.79	+0.41	100.87	100.38	118664	143091
Jun	100.50	100.74	+0.41	100.50	100.47	46	993

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	0.88	1.22	0.59	0.98
10100	0.62	0.98	0.83	1.24
10150	0.42	0.77	1.13	1.53

Est. vol. total, Calls 10673 Puts 6014. Previous day's open int., Calls 130224 Puts 77921

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.40	103.48	+0.14	103.56	103.38	2675	9428

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.94	116.40	-0.21	116.90	116.14	37347	77612
Jun	116.35	116.40	-0.36	116.50	116.32	243	27

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	2.18	3.19	1.78	2.79
11650	1.92	2.94	2.02	3.04
11700	1.68	2.71	2.28	3.31

Est. vol. total, Calls 3030 Puts 3388. Previous day's open int., Calls 25684 Puts 22691

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.60	104.09	+0.71	104.12	103.60	38,452	48,207
Mar	104.05	104.32	+0.77	104.40	104.05	37,586	62,915
Jun	-	104.00	-	-	-	-	60

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118-26	118-31	+0-09	119-00	118-23	1856	12344
Mar	118-01	118-05	+0-08	118-08	117-28	58783	132110
Jun		117-15	+0-08			0	69

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
118	1-32	1-59	1-22	2-29
119	1-02	1-33	1-56	3-03
120	0-43	1-10	2-33	3-44

Est. vol. total, Calls 6213 Puts 2824. Previous day's open int., Calls 80206 Puts 24087

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	121.24	121.46	+0.24	121.46	121.20	4,265	7,674
Mar	120.74	120.90	+0.18	120.90	120.70	1,969	9,624

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-14	117-18	+0-04	117-21	117-00	12,063	63,147
Mar	116-08	116-08	+0-04	116-14	115-24	204,728	230,242
Jun	115-04	115-08	+0-01	115-13	114-25	2,211	10,034
Sep	114-08	114-09	+0-03	114-12	113-29	1,694	14,003

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.85			116.85	116.62	1479	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Dec 9	Day's change %	Wed Dec 8	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	131.10	+0.14	130.91	2.55	10.03
2 5-15 years (22)	161.72	+0.20	161.55	2.26	12.11
3 Over 15 years (8)	188.05	+0.53	187.07	2.51	11.21
4 Irredeemables (6)	222.71	+0.92	220.69	1.35	13.71
5 All stocks (61)	157.08	+0.25	156.79	2.47	11.37

	Low coupon yield Dec 9	Dec 8	Yr. ago	Medium coupon yield Dec 9	Dec 8	Yr. ago	High coupon yield Dec 9	Dec 8	Yr. ago
5 yrs	5.62	5.66	7.37	5.88	5.92	7.65	5.98	6.02	7.86
15 yrs	6.52	6.56	8.27	6.63	6.66	8.70	6.83	6.86	8.98
20 yrs	6.61	6.66	8.49	6.66	6.69	8.85	6.65	6.68	9.05
Irred.†	6.74	6.80	8.87						

Index-linked	Thu Dec 9	Day's change %	Wed Dec 8	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	192.29	+0.02	192.25	0.92	4.26
7 Over 5 years (11)	190.31	+0.05	190.21	1.36	4.29
8 All stocks (13)	189.58	+0.05	189.49	1.31	4.27

	Inflation 5% Dec 9	Dec 8	Yr. ago	Inflation 10% Dec 9	Dec 8	Yr. ago
Up to 5 yrs	1.97	1.97	2.60	1.16	1.16	1.92
Over 5 yrs	3.03	3.03	3.99	2.88	2.88	3.61

Debentures and Loans	Thu Dec 9	Day's change %	Wed Dec 8	Accrued interest	xd adj. ytd	5 year yield Dec 9	Dec 8	Yr. ago	15 year yield Dec 9	Dec 8	Yr. ago	25 year yield Dec 9	Dec 8	Yr. ago
9 Debs & Loans (65)	150.40	+0.67	149.41	2.06	10.75	7.24	7.26	8.96	7.62	7.68	9.89	7.76	7.83	10.10

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 3	Yr ago	High*	Low*
Govt. Secs. (UK)	106.31	105.94	105.55	105.56	105.31	98.64	106.31	93.28
Fixed Interest	129.49	128.78	128.55	128.49	128.46	108.55	129.49	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 129.49 (9/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 8	Dec 7	Dec 6	Dec 3	Dec 2
Gilt Edged bargains	122.7	107.6	104.0	95.1	108.7
5-day average	107.2	110.4	110.0	110.1	108.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101	101¼		6.35
Alberta Province 9⅜ 95	600	106⅝	109		4.46
Austria 8½ 00	400	114⅜	114⅝	+⅛	5.65
Bank of Tokyo 8⅜ 96	100	107½	108⅛	+¼	4.65
United Kingdom 7¼ 97	5500	105⅝	105⅞	+⅛	5.12
Volkswagen Intl Fin 7 03	1000	102⅝	102⅞	-⅛	6.60
World Bank 0 15	2000	28	28¼	+⅛	5.95
World Bank 5¾ 98	300	102	102½		4.76
World Bank 8¾ 00	1250	117¼	118⅛	+⅛	5.37
Allied Lyons 11⅞ 97 £	100	116¼	116⅝	+⅛	5.96
British Gas 12¼ 95 £	300	108⅝	108⅞		5.19
British Land 12½ 16 £	150	140⅜	140⅞	+⅛	8.82
EIB 10 97 £	637	112⅛	112½	-⅛	5.66
Halifax 10⅜ 97 £	100	113¼	113⅝	+⅛	5.75
[illegible]					

Remaining listings of U.S. dollar straights, other straights (Swiss franc, yen, D-mark, sterling and others), floating rate notes and convertible bonds: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1993 High	1993 Low
"Shorts" (Lives up to Five Years)							
Treas 8½pc 1994		8.46	5.19	100½	—	102⅛	100½
[illegible]							

Remaining UK gilts listings (Shorts, Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked, Other Fixed Interest): [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

All-round growth lifts GUS 9% to £213m

By Paul Taylor

Great Universal Stores, the mail order, retail, financial services and property group which recently enfranchised its shareholders, yesterday reported a 9.4 per cent increase in interim pre-tax profits - underpinned by higher trading profits in all four main trading divisions.

Pre-tax profits increased from £194.8m to £213.2m in the six months to September 30 on turnover ahead by 11.5 per cent to £1.39bn (£1.25bn).

Earnings per share increased to 14.3p (12.9p) and the interim dividend is raised from 3.44p to 4p.

Operating profits, including £28.6m (£27.5m) in net property rental income, increased by 16.6 per cent to £155.9m (£133.7m).

Net interest receipts declined to £51.6m (£58.5m) resulting in an overall trading profit of £207.5m (£192.2m.)

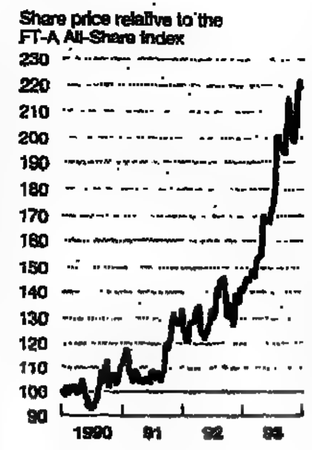
Profit on the sale of investments and property after professional fees of £2m for the capital reorganisation implemented in October, contributed a further £5.7m (£2.6m).

The core home shopping division, which includes the Kays and Great Universal mail order catalogues, boosted trading profit by 22 per cent to £68.5m (£56.2m).

That was achieved on turnover which jumped to £818.4m

GUS

Share price relative to the FT-A All-Share index



Source: FT Graphite

(£780.5m) reflecting a volume increase, mainly in the UK.

The Burberrys & Scotch House division also performed well and lifted trading profit by 54 per cent to £13.1m (£8.5m) on turnover up 20 per cent at £85.4m (£71.2m).

The overseas retailing division made a modest increased contribution with operating profits rising by 10 per cent to £11m (£10m) on turnover of £88.2m (£83.3m).

The consumer and corporate finance, banking and business information operations also performed well, lifting their trading profits to £25.8m (£18.4m). Among these operations GUS said General Guarantee experienced strong demand for both consumer and corporate advances, particularly for cars and other vehicles.

Rental income in the property division increased by 7.2 per cent from £25m to £26.8m despite the number of rent reviews being at a low point in the 5-year review cyle.

The group generated a £140.7m positive underlying cash flow from trading activities during the first half and maintained a virtually ungeared balance sheet which included £1.12bn of cash at the end of September.

● COMMENT

GUS's shares closed 9p down at 573p yesterday, perhaps reflecting some disappointment that following enfranchisement, there were no further developments on corporate structure. The results themselves were solid, in line with expectations, and reflect the benefits of the group's continuing investment in technology. Pre-tax profits this year should be about £510m producing earnings of about 33.7p per share. At current prices the shares are trading on a forward p/e of 17 and, despite a pronounced run over the past year, appear to have little downside risk.

British Land advances 28%

By Andrew Jack

British Land, the commercial property company, yesterday reported pre-tax profits up 28 per cent to £13.1m in the six months to September 30, against £10.2m.

The company also said it had so far spent more than £135m in property purchases for the British Land Quantum Property Investment Partnership announced in June.

Gross rental income was £72.7m (£69.4m). Earnings per share came out at 2.9p (3.9p) and the interim dividend is increased to 2.45p, compared with 2.28p.

Mr John Ritblat, chairman, said: "We are very happy with these results" and expressed strong confidence in the recovery of the property market. He reiterated his comments from June last year that the property market had turned for the better and continued to recover to a semblance of normality.

He said that the company traditionally had a "quiet first half" with the timing of its quarterly rent collection dates pushing more revenue into the second half of the year.

Mr Ritblat attacked FRS 3 as "so inappropriate for our accounts" because of its requirement that capital items be included. He preferred to emphasise revenue profits which showed a 60 per cent advance to £18.3m (£11.4m) during the half year.

Current funds and facilities exceed £775m. The company said its weighted average debt maturity was now greater than 22 years.

The Quantum partnership, under which British Land will spend £500m in property, was set up with a £250m equity subscription from Mr George Soros' Quantum Fund. British Land said it now had first refusal over the Quantum interest.

● COMMENT

The market seemed slightly disappointed in British Land's results, with the shares closing down 11p at 433p while the sector was stable. The reason was the false expectation, based on previous experience, that there would be other news at the same time: perhaps an acquisition, or a revaluation or balance sheet at the half year. Some analysts also felt the company was falling behind in its spending plans for its property-buying partnership with the Quantum Fund at a time when they consider the market is becoming more competitive. The company denies it has set any targets and seems willing to bide its time. Overall the shares seem fairly priced, with the company well geared for recovery and rich in cash for potential acquisitions.

Unit trusts call truce in high income war

By Philip Coggan, Personal Finance Editor

Full scale war in the unit trust industry was averted yesterday, when rival parties Save & Prosper and an alliance of Hypo Foreign & Colonial and Morgan Grenfell agreed to differ on the issue of high income unit trusts.

Hostilities seemed set to break out over the weekend when Save & Prosper abandoned plans to launch a trust offering a 10 per cent yield, citing doubts that such a return would have been achieved without erosion of capital. That implicitly raised doubts about the backing for funds run by Hypo F & C and Morgan Grenfell, which between them have raised £490m from investors.

Save & Prosper had arranged meetings to brief journalists on Wednesday; Hypo F & C had also organised to meet the press in order to respond. Instead, the two sides decided to talk and the press briefings were hurriedly cancelled. Yesterday, each side issued a statement with the aim of defusing the row.

At the heart of the issue is the use of options to generate income. Both the Hypo F & C and the Morgan Grenfell funds use a combination of shares, cash and options to achieve their 10 per cent yield. The funds earn premiums by writing call options against the shares they own - in non-jargon terms, that means they give other investors the right to buy the shares at a certain price.

While the premiums can be passed through to investors as income the funds miss out on some capital growth, since the options will be exercised if share prices rise.

What is less clear is whether the above strategy is likely to lead to the erosion of investor's capital. In its statement yesterday, Save & Prosper said "it felt that it could not launch such a unit trust if it had doubts about the trust's ability to pay a 10 per cent income on a continuing basis without there being the probability of erosion of capital built into the portfolio structure."

However, S&P added "there are a number of different approaches to derivatives investment and it will not comment on the validity or efficiency of any existing unit trust or offshore fund."

For their part, Hypo F & C and Morgan Grenfell issued a joint statement, which said "The two companies are confident of their funds' abilities to meet their stated objectives. Based on the discussions with Save & Prosper, we believe that there are significant features of the two companies' funds which have not been explored by the models used.

Mercury Asset trust launch raises £425.8m

By Philip Coggan, Personal Finance Editor

Mercury Asset Management said yesterday it had raised £425.8m for its World Mining Trust, making it the largest ever investment trust launch in the UK.

A total of 380m shares had been placed - with warrants attached on a 1-for-5 basis - with institutions and others. A further 45.8m shares were applied for under the public offer, and will be allocated in full.

The trust, which will be managed by Mr Julian Baring, will invest in companies which produce gold and base metals. Dealings are expected to start on December 15.

Trevor Humphries

Getting in the picture: Chris Masters holds on to Swift, Salvesen's latest purchase in its strategy of building the distribution side

Salvesen's £41m disappoints City

By Andrew Bolger

Shares in Christian Salvesen fell 17p to 331p yesterday after the international distribution, specialist hire and food services group reported flat underlying profits for the six months to September 30.

Under FRS 3, pre-tax profits fell from £53m to £41.1m but the comparative figure was flattered by a £12.6m gain on the disposal of Salvesen's oilfield technology business, which now goes above the line. Excluding exceptionals, pre-tax profits rose from £40.4m to £41.1m.

Sir Alick Rankin, chairman, said: "Under all the circumstances of a most difficult international marketplace ... this to be a creditable achievement and we feel able to raise the interim dividend by 3.1 per cent."

Operating profits from the specialist hire division fell from £15.4m to £15m. The group said Aggreko, which hires out generators and temperature control equipment, had seen strong performances in the US and south-east Asia offset by difficult trading conditions in Europe.

Light and Sound Design, which the group bought in 1991, made nothing in the first half. Mr Chris Masters, chief executive, said the company had been too slow to reduce its reliance on depressed pop concert markets, and it was being restructured, with a number of senior management changes.

In distribution, operating profits grew 7.1 per cent to £18m. The UK business was down 5 per cent at £9.6m, but this was partly offset by growth in continental Europe and particularly strong growth in the US.

Mr Masters said he accepted that grocery distribution in the UK was a fairly mature market, but said there were considerable opportunities for multi-user depots in the US.

In the food services division, profits fell from £8.2m to £7.5m. Salvesen Brick maintained profits at £1.5m.

Earnings under FRS 3 fell to 10.29p (14.03p). The interim dividend is increased to 3.3p (3.2p).

● COMMENT

The drop in the share price reflected disappointment over the profits figure, which was slightly below expectations, and that currency translation had contributed no less than £3.1m. However, the main concern of analysts is that growth of Salvesen's marvellous Aggreko business might be running out of steam. Mr Masters accepts that the days of annual 20 per cent growth are in the past, but says there is no reason why Aggreko should not maintain annual growth of 10 to 15 per cent, as it supplies bigger and more complex contracts. Forecast full-year profits of about £80m put the shares on a prospective multiple of 17.5. At that level they are still on a deserved 10 per cent premium to the market, but they are unlikely to advance much until the City is convinced that the specialist hire problems are only of a transitional nature.

Union criticism as Ferranti sheds 630 more jobs

By Richard Donkin, Labour Staff

Receivers at Ferranti International yesterday announced 630 redundancies among the 3,600-strong workforce.

The job losses, which had been expected since the company went into receivership last week, are to be spread across the group's operations throughout the UK.

Mr Murdoch McKillop and Mr John Talbot, the two Arthur Andersen receivers appointed to the ailing electronics business after GEC withdrew takeover plans, believe the job cuts will save £1m a month in operating costs.

This should allow them to run the business activities without further immediate losses if all Ferranti's customers can be persuaded to agree various contract changes.

Mr Talbot said they remained optimistic about their ability to sell the businesses as going concerns.

"What this means is that anyone wanting to buy any of the businesses will now be able to pick them up without having to fund the cost of redundancies," AEEU, the engineering union, said last night.

Mr Paul Gallagher, leader of the union's electricians' section, said the news was worse than he had feared.

"It is a bitter pill to swallow, especially as the government could easily have saved these jobs by awarding outstanding Ministry of Defence contracts to Ferranti."

The redundancies are higher than management had wanted - it had planned for 500 - but the receivers hope the job losses will allow them the breathing space they need to make the businesses viable.

In the past three years Ferranti had reduced its workforce from 22,000.

The redundancies follow the same pattern as those at Leyland Daf last year where Mr Talbot and Mr McKillop also made severe job cuts after they took over as receivers.

An industrial tribunal chairman, awarding compensation to sacked Leyland workers in November, criticised the receivers for failing to meet their statutory obligations.

Under employment laws, workers should receive more than 90 days notice of redundancy. The receivers said, however, they were unable to comply with the requirement.

Mr McKillop said he sympathised with the employees who were losing their jobs.

Moorgate trusts show increase

Moorgate Investment Trust and Moorgate Smaller Companies Income Trust, investors in UK smaller companies under the wing of Moorgate Investment Management, yesterday announced increased net asset values as at November 30 1993, and maintained their interim dividends at 1.7p and 1.8p respectively.

However, Sir Mark Thomson, chairman of MIT, repeated his July warning that the total distribution for the year to May 31 1994 would be cut from 5.5p to 4.25p. He said a further reduction in earnings per share was indicated.

At MSC, however, Sir Michael Richardson, chairman, said that the total dividend would be maintained at 4.28p.

Net asset value of MIT rose by 7.6 per cent to 150.8p while the value of MSC went up by 5.8 per cent to 132.55p.

Earnings per share at MIT went up from 2.7p to 2.93p per share and those at MSC increased from 2.09p to 2.32p.

Standard Chartered in £100m preference issue

Standard Chartered, the UK-based international banking group, yesterday strengthened its capital base with a £100m issue of non-cumulative preference shares, writes John Gapper. The issue raises its core tier 1 ratio of capital to risk-weighted assets.

Standard's share price has risen sharply recently, driven by its exposure to emerging markets in the Asia Pacific region. But there has been speculation over whether it would be forced into a rights issue to strengthen capital.

The bank is also exposed to the appreciation of the dollar against sterling because its capital is sterling-denominated, while most of its assets are in currencies which are more closely linked to the dollar.

It has had a lower ratio of tier 1 capital - comprising equity, risk capital including non-cumulative preference shares, and retained earnings - to its risk-weighted assets than many US and European banks.

The issue, which was jointly placed by J Henry Schroder Wagg, Cazenove and Salamon Brothers, will raise its tier 1 ratio of 5.4 per cent by 50 basis points, and its total capital ratio of 10.7 per cent by a percentage point.

A sterling rather than a dollar issue is thought to have been chosen because of regulatory requirements in the US, and because dollar preference shares would only provide a limited hedge against currency movements.

Non-cumulative preference shares are counted by the Bank of England towards regulatory tier 1 capital because they are considered to carry investor risk. The issue was placed at a net yield of 7.375 per cent.

The shares lost 8p to 1229p.

Total Systems falls to £12,000

Slow economic recovery was blamed by Total Systems, the USM-quoted computer systems company, for a slump in pre-tax profits from £424,436 to £12,330 for the half year ended September 30.

Sales fell to £1.08m (£1.36m). Operating losses were £31,690 (£364,791 profits) but there was interest income of £44,020 (£59,745).

Earnings were 0.078p (2.85p) and the interim dividend is passed (1.5p last time).

Turkey Trust net asset value surges

Turkey Trust more than doubled net assets to 324.16p per share in the 12 months to October 31 1993, against 148.06p a year earlier.

After-tax revenue dropped to £356,000 (£601,000), giving earnings per share of 3.64p (6.13p). The recommended dividend is 8p (5p, including special 4p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Birkby ....int	1.2†	Jan 14	1	-	3.53
British Land ....int	2.45†	Feb 25	2.28	-	7
Compass ....fin	8.56†	Mar 25	8.11	13	12.3
Drayton Recovery ....fin	4	Jan 31	3.95	8	7.95♥
Eve ....int	3§	Mar 24	2.7	-	10
Fine Art Devs ....int	3.3	Jan 26	3	-	12.75
Grainger Trust ....fin	4.05	Feb 25	4.05	5.25	5.25
Great Universal ....int	4	Mar 29	3.44	-	8.116
Hartstone ....int	nil	-	2.8	-	2.8
Hicking Pent ....int	1.55	Jan 6	1.35	-	4
Johnson Firth ....fin	0.35	Feb 2	2	1.35	3
Kleeneze ....fin	1	Apr 6	nil	1	nil
London Intl ....int	nil	-	3.2	-	9.45
Lyons Irish ....int	3.45‡	Jan 10	3.15	-	9.45
Moorgate Inv Tst ....int	1.7	Feb 2	1.7	-	5.5
Moorgate Smaller ....int	1.8†	Jan 28	1.8	-	4.28
Murray Ent'prise ....fin	1.5	Feb 4	1.31	1.5	1.31
New Zealand Inv ....fin	0.6	Feb 4	0.6	2.1	2.1
North West Water ....int	7.67	Apr 6	7.13	-	21.4
Pilkington ....int	1.5	Feb 18	2.93	-	4
Salvesen (C) ....int	3.3	Feb 7	3.2	-	7.8
Scantronic ....int	0.843	Jan 24	0.79	-	3.121
Scot Hydro-Elect ....int	3.96	Mar 23	3.6	-	11.38
Seeboard ....int	3.3	Feb 21	2.85*	-	10*
Stirling ....int	0.55	Jan 21	0.5	-	1.85
Titon § ....fin	2.9	Feb 18	2.57	4.2	3.7★
Total Systems § ....int	nil	-	1.5	-	3
Turkey Trust ....fin	3	Feb 25	1	8	5☆

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Irish pence. ★Includes special 0.13p. ☆ Includes special 4p. ♥Includes special 2p.

Slimma likely to raise £5m in new year float

By Paul Cheeseright, Midlands Correspondent

Slimma, the women's clothing manufacturer specialising in outsize garments, will seek a flotation in the new year.

Although no details have been settled, it is likely Slimma will aim to raise about £5m in a placing of new shares, sponsored and brokered by Henry Cooke Lumsden.

As the management - led by Mr Stephen Thwaite, and Yorkshire Bank Development Capital, Slimma's venture capital backer - intend to retain a majority of the enlarged capital, the group will probably be valued at about £12m.

Mr Thwaite led a management team which bought out two divisions of Tootal, part of the Coats Viyella group, in October 1991 for £3.3m.

Since then Slimma has expanded from one plant in Leek, Staffordshire. It has taken another factory in the same town and additional plants in Sandbach, Cheshire and Cannock, Staffordshire.

In two years its payroll has risen from 370 to 525 people.

If the placing is successful, Slimma will use the funds to broaden its clothing range from skirts and trousers partly to protect itself from other groups which are moving into the under-exploited outsize clothing market.

The funds would also clear residual bank debt taken on at the time of the buy-out. Gearing is about 50 per cent.

Slimma's accounts for the year to last September are expected to show pre-tax profits of more than £1m on turnover of up to £16m.

COMPANY NEWS: UK

Seeboard 9% ahead at £36m

By Michael Smith

Seeboard, the electricity distributor for the south-east of England outside London, yesterday warmed the market with news of a 1-for-1 scrip issue and a 16 per cent increase in the interim dividend.

Pre-tax profits for the half year to end-September were 9 per cent higher at £36.3m, up from a restated £33.2m, and earnings per share were 20.3p, 10 per cent ahead from 18.4p.

However, Mr John Quin, finance director, said that underlying growth, after stripping out the effects of restructuring costs, was about 16 per cent both in profitability and earnings.

Unlike some regional companies, which have already reported dividend rises of up to 20 per cent, Seeboard did not attempt to rebalance dividend payments between the two halves of the year.

Sir Keith Suart, chairman, said the 16 per cent rise was based on performance and ability to pay. Analysts interpreted this as meaning 16 per cent was possible for the full year too.

The interim dividend of 3.3p (2.85p) is being paid on the increased capital.

Seeboard is the first regional electricity company to announce a scrip.

Sir Keith said it would improve marketability, particularly for small shareholders. "There are 200,000 small shareholders and we take them very seriously," he said.

In the opening six months turnover rose 2 per cent to £534m. The distribution business saw a 0.6 per cent growth in units and increased profits from £37.8m to £39.3m. Supply losses were slightly less at £6.7m (£6.8m). Retailing broke even on turnover of £27.1m whereas in the comparable period of last year it lost £300,000.

The company has £48m in the bank, compared with £6.1m in 1992 first half. Seeboard said that as a result of tight controls it would pay a rebate of about £8 to all domestic and quarterly billed business customers during the quarter beginning next April.

COMMENT

Seeboard bore gifts yesterday for both shareholders and customers. The rebate to customers will on average match almost exactly the value added tax the government is imposing on domestic fuel bills from April. For shareholders the present is the scrip which is likely to increase the total value of holdings, if only marginally, and provides the company with a first among recs. Both moves are typical of a company which has always marketed itself effectively. But there is more than just show to Seeboard as a 6.4 per cent real reduction in controllable costs in the half under review demonstrates. Contracting, which reported an operating loss of £200,000 was disappointing but the brake on outperformance for the shares is that they are already highly priced. If Seeboard pays out 23.4p for the full year the prospective yield is about 4.1 per cent, lower than most and possibly all other recs.

European recession leaves JFB at £3.06m

By John Murrell

The warning from the directors of Johnson & Firth Brown in August that second-half profits were expected to be below those of the first half was borne out yesterday.

The full year to end-September saw pre-tax profits of the specialist engineering group fall from £7.15m to £3.06m, including a second-half contribution of £996,000 – compared with the first half's £2.07m.

Earnings fell to 1.4p (3.3p) and a final dividend of 0.35p makes a total of 1.35p (3p).

The shares fell 2p to 36½p.

Acquisitions added £8.5m to total turnover of £130m (£124m) and £613,000 to operating profits of £4.83m (£6.94m). Interest took £1.77m (added £212,000).

The directors said the results reflected a lack of demand in mainland Europe in markets that were of "increasing relevance" to the group.

They added that in addition to a generally weak economic environment, group companies experienced considerable pressure on margins.

European competitors were "increasing their export efforts outside Europe and attempting to win market share to maintain volume, almost regardless of margins."

The directors are reviewing the group's strategy with the intention of concentrating resources on a more tightly defined core of businesses.

The changes would take time to achieve and were not expected to benefit results in the near future. They saw little to encourage them that the current year would be "much different from last."

Hartstone drops to £0.4m but relief lifts shares 9p

By Peggy Hollinger

Hartstone Group, the hosiery and leathergoods company which is in refinancing talks after breaching banking covenants this summer, suffered a sharp drop in pre-tax profits from £10.5m to £428,000 in the first half.

The return was struck on a 14 per cent increase in sales to £185m (£162m), partly due to acquisitions. Profits were also depressed by a £179,000 currency loss, against a £3.4m gain previously.

The shares rose 9p on the news of the results, which were prepared on a going concern basis, to close at 42p.

The dividend is passed. Earnings fell from 6.7p to 0.3p.

Mr Shaun Dowling, the chairman appointed by banks in June, said refinancing talks were well advanced. He expected to make an announcement before the January 16 deadline for the standstill agreement. He would not comment on details of the talks.

However, it is thought that Hartstone is already negotiating the sale of part of its business with potential buyers as part of the refinancing. A debt for equity swap is believed to be unlikely.

The company, which grew rapidly via acquisitions in the US and Europe, suffered from severe competition in the European hosiery markets in the first half and supply difficulties arising from its financing problems.

Mr Dowling said Hartstone had improved significantly since August by ceasing promotional activity, improving supply to supermarkets and pushing its three brands, Bear in the UK, Marie Claire in Spain and Well in France.

The leathergoods division was fuelled by strong growth from Etienne Aigner, which improved margins from 32.9 per cent to 39 per cent.

COMMENT

The shares rose yesterday on relief that Hartstone had just squeaked by with a profit and even appeared more confident about its survival than in recent months. There is also likely to be a faint attraction on the dividend front for shareholders when and if the refinancing is concluded. But it is still too early to allow Hartstone off the speculative list. The refinancing is not complete and questions remain over how much Hartstone will have to sell to get off the hook. Furthermore, the price war in hosiery is far from over in continental Europe and the grim comments from Courtaulds Textiles leave many wondering how the struggling Hartstone can buck the trend. Forecasts range from £2m to £5m pre-tax for a multiple of between 13.5 and 16. Which ever way one looks at it, this is not a stock for the faint hearted.

Gloomy outlook hits Eve shares

Eve Group, the USM-quoted civil engineering group, said that difficult trading conditions and pressures on margins was continuing, while construction demand remained at a low level. In addition one of its subsidiaries had incurred a significant loss.

The shares closed down 53p at 450p.

The company made the comments as it was reporting pre-tax profits for the six months to September 30 slightly down at £2.51m (£2.59m). Turnover came out at £32.9m (£27.6m). Earnings per share were 17.1p (18.3p).

Mr Roger Ames, chairman, said he was cautious about endorsing any expectations of an improvement in full year profits. However, the interim dividend is raised to 3p (2.7p).

Fine Art up 11% at £5.5m

By Peter Pearse

While pre-tax profits at Fine Art Developments, the mail-order and greetings cards group, increased 11 per cent from £4.95m to £5.51m in the six months to September 30, turnover declined almost 4 per cent from £120m to £115.4m.

The shares fell 18p to 556p.

The profits rise was helped by reduced interest charges of £2.99m (£4.84m) – thanks to lower rates, said Mr Keith Chapman, chairman – and a £565,000 three-month contribution to operating profits from James Galt, the toymaker acquired in July for £13.5m cash. Also, last time there was a £2.17m profit from the sale of Fine Art's stake in Next.

Group operating profits on continuing operations was up 4.3 per cent to £7.94m (£7.61m).

The mail-order division, and Express Gifts in particular where sales were 9 per cent lower, had been constrained by the problems of consumer spending, said Mr Chapman – "there's an awful lot of concern out there". Excluding Galt, the division's sales fell 4 per cent to £54m.

Mr Chapman said that by next year Express' mail-order system would be "one of the most sophisticated and efficient" and would be able to dispatch personalised items along with other goods.

Fine Art had spent £1.5m more this time on "an aggressive marketing campaign" backing Express – some £15m was spent last year – though with less benefit than expected. The marketing strategy will be radically changed next time.

It was "a tough time for charities", said Mr Chapman. In this sector, sales fell 9 per cent as a result of the planned contraction in trading by Fine Art's largest customer. Excluding this one account sales were up 4 per cent. The particular charity has "reversed its decision and next year will seek to rebuild its volume", said Mr Chapman.

Sales of the cards and paper products division were £55m, also down 4 per cent. Hambledon Studios and Gallery Studios, the wholesale supply companies, continued to perform well.

The branded business of Britannia Products had been the star performer, though its private-label side encountered "problems of our own making", said Mr Chapman. By delaying order information, "we shot ourselves in the foot and the warehouse systems didn't help either", he added.

The interim dividend is lifted to 3.3p (3p), payable from earnings per share of 4.87p (4.54p).

Pilkington turnover up 16%

By Maggie Urry

Higher volumes, acquisitions, and the weak pound helped group turnover at Pilkington rise by 16 per cent to £1.4bn in the half year to end-September, against £1.2bn.

Mr Andrew Robb, finance director, said better volumes contributed 7 percentage points of the gain and exchange gains made 6 percentage points. The £95m purchase of Heywood Williams' glass division added 4 percentage points, but lower prices cut sales by 1 percentage point.

Group operating profits rose from £44.1m to £57m, after exceptional profits of £300,000 (losses £1m). European glass profits fell from £23.8m to £16.5m, but those from North America bounced from £2.5m to £15.4m, helped by higher volumes and prices.

The Heywood Williams business contributed £3.4m to operating profits. The Sola spectacle lens subsidiary, sold after the period end, made a profit of £9.9m (£5.6m).

Mr Roger Leverton, chief executive, said capacity utilisation in Europe was about 88 per cent, after taking two float lines out for 3 and 4 months. Weak prices in continental Europe – down 6 per cent in Germany – had prevented an 8 per cent rise in UK prices from sticking.

In North America, higher volumes had increased capacity utilisation to over 90 per cent had enabled a 5.5 per cent price rise in June and a 6.5 per cent rise in November.

Profits from the southern hemisphere rose from £19.1m to £25.3m.

Cost cutting more than offset the effects of inflation on costs, and the group had taken £200m out of annual costs over three years, with a 20 per cent reduction in jobs.

Earnings were 0.4p (losses 0.8p).

Low rainfall hits Scottish Hydro

By Michael Smith

Scottish Hydro-Electric yesterday increased its interim dividend by 10 per cent as it reported pre-tax profits at the lower end of expectations.

The 12 per cent profits rise, from £40.6m to £45.6m, follows unusually low rainfall which restricted its ability to generate hydro electric power.

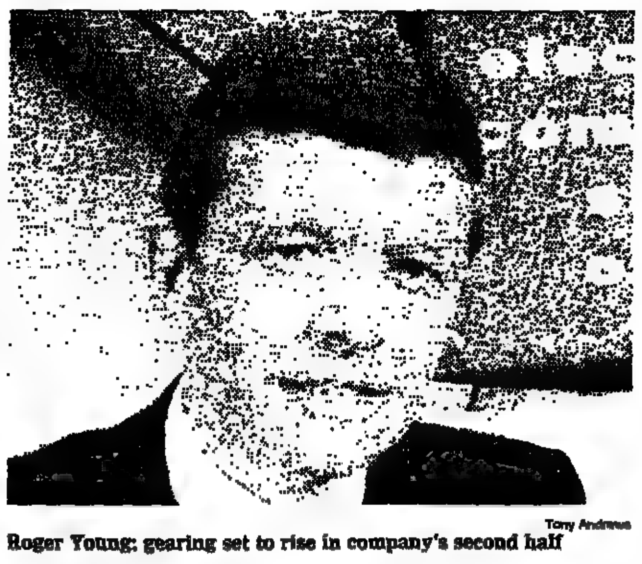
However, Mr Roger Young, chief executive, said he did not expect the rain shortfall to affect its final dividend and the company expected to stick to its target of 6 to 8 per cent real growth for the full year.

That implies an 11 per cent increase at most, against market expectations for the recs of at least 14 per cent.

For the six months to September 30, Hydro increased operating profits by 4.4 per cent to £52.5m on turnover up 14 per cent to £343.8m. Earnings per share were 11 per cent ahead at 8.81p (7.93p); the interim dividend is 3.96p (3.6p).

Mr Young said low rainfall reduced pre-tax profit by about £1.6m from the normal level. Rainfall has remained low in the second half of the year.

Unlike Scottish Power,



Tony Andrews

Roger Young: gearing set to rise in company's second half

Hydro chose not to include the benefit of improved coal contracts in its half year results. The contracts are for five years, backdated to April.

The contracts would have increased pre-tax profits by about £400,000 but Hydro wants to finalise the deal before reporting the improvement. If, as seems likely, the deals are concluded by the end of the year, the full year effect will be about £1.2m

Hydro has committed £69m to projects in England and Wales and by 1995, when the Keadby power station is expected to be operational, over 15 per cent of capacity will be in England.

Gearing fell from 20.6 to 14.9 per cent. If the effect of Keadby, which is not on the balance sheet, was included that would be 31.7 per cent.

Mr Young said gearing would rise to 18 per cent by the year-end, excluding Keadby, and 40 per cent including it.

● COMMENT

It may sound like a lame excuse but Hydro has every right to blame its unspectacular performance on the weather. Only three years in the last 25 has rainfall been so low. Effects on the pre-tax rise are severe because last year's rain was unusually high. On fundamentals Hydro is doing well enough, and the policy of using the balance sheet to provide future unregulated earnings in England and Wales is sound. Hydro also faces less regulatory threat than regional power companies south of the border. Assuming a 12.5p full year dividend, the shares are on a prospective yield of 3.6 per cent following yesterday's share price fall. The potential problem for Hydro, as for Scottish Power, is that investors may be more tempted by the higher yielding English generators if the regulator decides against referring the English generators to the MMC.

Kleinwort plans trust for European privatisations

By Philip Coggan, Personal Finance Editor

Kleinwort Benson is planning to launch the first investment trust to specialise in European privatisation shares.

The trust, which is expected to be launched in January, will give the private investor a chance to participate in the forthcoming slew of continental privatisations.

European governments are expected to raise between \$100bn and \$150bn (£101bn) over the next five years via privatisation issues, with France, Italy and Spain in the vanguard.

Issues are also expected from former Iron Curtain countries.

Kleinwort argues that in an era of low inflation and low economic growth, companies which can rationalise and cut costs are likely to have above average potential for profit growth. Companies which are emerging from the public sector are likely to have more scope for efficiency gains.

For private investors the procedure for investing in an overseas privatisation issue can be complex. An investment trust is also likely to have more success in getting allocations.

The trust is likely to have a simple capital structure and to be launched via a public offer.

Because most of its portfolio will be in the European Union, the fund will qualify for a personal equity plan status.

● Applications for shares in Kleinwort's Second Endowment Policy Trust have had to be scaled down after the public offer was 3.18 times subscribed. Applications for 1,000 shares will be met in full. Those who applied for between 2,000 and 90,000 shares will receive 1,000 shares plus 15 per cent of the amount applied for; those who applied for more than 100,000 shares will get 1,000 shares and approximately 12.6 per cent of the shares they sought.

Property groups worth over £1bn seek listings

By Christopher Price

Several private property companies are in discussions for a Stock Exchange listing in the new year with a potential total market value of about £1bn.

The moves are being fuelled by investor enthusiasm for the property market, the slow recovery of which earlier this year has accelerated rapidly in recent months.

Expected to lead the way is Pillar Properties, the former fund management vehicle which has property investments totalling some £200m. Analysts said a further £100m is likely to be added before flotation.

Argent Group is also said to be taking soundings from stockbrokers and advisers. It has substantial investments totalling £230m in central Birmingham and elsewhere. Several other smaller companies are said to be in discussions.

Growing direct institutional investment in selected properties has been matched by investor appetite for listed property companies. Many shares have reached, and in some cases passed, their pre-recession highs.

Mr Elliott Bernerd, chairman of Chelsfield, the property company which is seeking a listing, said investor enthusiasm for property issues remained strong. "In all our presentations prior to the offer, the attitude of investors was extremely enthusiastic."

However, with banks remaining cautious over lending on other than the most prestigious and secure developments, private funds for the property market remain limited. "The only way forward for the medium-sized private company is to float," said one analyst.

Mr John Slade at Richard Ellis, the property agent, said: "They are positioning themselves for the next boom, and now is the ideal time. It is the only way they will get bigger."

As the market has recovered, the listed companies have taken advantage by raising extra funds through rights issues. More than £1.5bn has been tapped from shareholders this year. "Private companies being denied this facility have not had the same flexibility of investment."

Mr Peter Freeman, chief executive of Argent, said: "The banks have been quite willing to borrow on properties with long leases, strong rental stream and blue chip tenants, but beyond that they are still relatively unreceptive."

He added that if a property company wanted to go outside that remit and consider developing, other sources of finance had to be considered.

Demand for the well-let central London office block remained strong, with institutions particularly keen to use it as an alternative investment to bonds. Shopping centres, as well as small prime shop units offering good yields were also being targeted.

Mr Brian Jollee, managing director of Capital and Counties, the property arm of Trans-Atlantic, the insurance concern, said he was not surprised at the level of interest in companies seeking a listing.

"The stock market is valuing property companies at a premium to their net asset values at the moment after being at a huge discount earlier this year." Mr Jollee denied market rumours that his division is to be floated.

Mr Humphrey Price, chairman of Pillar, said yesterday that a flotation was "one option under review," but declined to give any other details.

Stirling shares drop on setback

Losses in the import division and a £600,000 provision against property values left Stirling Group, the Marks and Spencer clothing supplier, with pre-tax profits of £223,000 for the six months to September 30, against £1.37m.

The company said that the import division had been hit by the acquisition of Boftex, the loss of a large shirt importing contract and larger than expected reorganisation costs.

On turnover of £8.2m (£7.9m) there was an operating loss of £708,000 (£414,000 profit).

The shares fell 10p to 59p.

Group turnover was £46.7m (£45.6m). Losses per share were 0.06p (1.07p earnings). The interim dividend, however, is raised to 0.55p (0.5p).

LIG warns on restructuring

By Maggie Urry

New management at London International Group appear to have taken the opportunity of yesterday's interim results to clear the decks.

The group predicted a "much stronger level of sales and operating profits in the second half year" although warning there would be "very substantial" restructuring charges.

For the six months to end-September losses of £5.1m before tax (profit £15.5m) included a £7.4m swing to losses in its photo-processing business, which is now up for sale, and about £8m of "one-offs" according to Mr Nick Hodges, the new chief executive.

Group sales rose 1.2 per cent to £197.1m but operating profits collapsed to £2.4m (£22.4m).

In health and personal products, operating profits fell from £16.1m to £3.5m, while photo-processing incurred a deficit of £1.1m (profit £6.3m). The latter normally makes most of its profits in the summer months.

LIG revealed that the comparable figures had included £5m of exchange gains and from the release of provisions not previously disclosed.

This year's number had been depressed by about £2m following "the adoption of more conservative accounting practices".

Mr Hodges said there had also been a negative effect from a change of the policy to push sales, through higher promotional activity, at the end of each half year.

He said this would have a significant effect on the second half too, but thereafter would not recur and would reduce working capital.

The UK made a loss of £1.5m (profit £8.6m) largely because of the photo-processing division. In the rest of northern Europe there was a £100,000 loss (profit £1.5m). In southern Europe, where LIG was hit by recession in Italy and a cut back in the government's drugs bill which reduced customer flow in pharmacies, profits fell from £6.9m to £2.4m.

North American profits were £200,000 (£2.5m) with Africa, Australasia and the Far East contributing £1.4m (£2.9m).

Losses per share emerged at 4.33p (earnings 6.37p) and the interim dividend is omitted – 3.2p was paid previously.

Chelsfield price set at 155p

By Paul Taylor

Shares in Chelsfield, the private property company led by Mr Elliott Bernerd which is coming to market through a placing and intermediaries offer, were priced at 155p each yesterday, valuing the group at £242.5m.

A total of 32.3m shares are being issued under the placing and intermediaries offer sponsored and underwritten by Hambros Bank. Of these half have been placed firm with institutional investors and the remainder have been placed subject to recall to satisfy valid intermediaries applications.

A further 25.7m shares are being sold to existing investors in order to raise £39.8m before expenses. In addition, Chelsfield has agreed to acquire a portfolio of properties from Allied-Lyons Pension Fund for £30.6m, of which £15.3m will be in the form of new shares.

Dealings in the new shares are expected to begin on December 21.

Compass lifted by acquisitions

By David Blackwell

Compass Group, the healthcare and catering group, yesterday announced a sharp rise in both profits and turnover for the year to September 26 on the back of recent acquisitions.

Pre-tax profits rose by 31 per cent to £41.5m, compared with £31.8m.

Turnover was ahead 44 per cent at £497m, including a contribution of £156.2m from acquisitions, mainly reflecting the purchase in July of SAS Service Partner's airport catering business via a rights issue, and last November's acquisitions of Travellers Fare, the station caterers, and Letheby & Christopher, the sports and events caterer.

Turnover from continuing operations fell from £345.1m to £340.8m. The group attributed the decline to continued "demanning" in the UK because of recession.

Operating profit from continuing operations rose from £36.9m to £39.4m. A contribution of £7.4m from acquisitions took total operating profit to £46.8m.

Mr Francis Mackay, chief executive, said the full benefits of the acquisitions had yet to be seen as purchasing and other affinities were sorted out over the next year or so. "All the acquisitions have performed well. There are no skeletons or black holes and we have not lost a single contract in all the business we have brought on board."

Last December Compass reorganised its catering activities into seven divisions which target core markets from schools to boardrooms. The New Famous Foods division, which has agreements with Burger King and Pizza Hut, is designed to offer clients branded catering outlets.

Earlier this month Compass paid £900,000 for the 11 catering contracts managed by the Roux brothers. Mr Mackay described the deal as the "final piece of the jigsaw" in the group's new strategy.

"We have created a unique catering company with enormous potential in all market sectors. We are capable of expanding the business and we have the wherewithal to do it," he said yesterday.

UK catering profits were up from £24.5m to £30.6m, overseas catering profits from £100,000 to £3.1m, and healthcare profits from £12.3m to £13.1m.

Interest payable edged ahead from £5.1m to £5.3m. Adjusted earnings per share rose from 33.1p to 35.9p; a final dividend of 8.56p is proposed, giving a total for the year of 13p (12.3p).

● COMMENT

These results were very much in line with expectations. Next year will depend on how well the group digests its acquisitions, and on the rate the contract catering market expands in the UK. The group has a toehold in Europe through the airport catering business and the City will be watching to see how well it tackles expanding its business outside the UK. Growth in the healthcare sector is likely to be slow for the next couple of years. Profits of £53m next year give a prospective multiple of 14.8, making the stock an undemanding hold.

Kleeneze makes £1m and pays 1p dividend

By Nigel Clark

Kleeneze Holdings, the home shopping company, reported profits of £1.06m for the year to August 31, compared with losses of £456,000, restated for FRS 3.

The company is returning to the dividend list with a recommended final payment of 1p paid from earnings per share of 6.08p (3.18p losses).

Turnover was £56.6m (£46.4m), of which £2.92m (£6.14m) related to discontinued activities.

Continuing sales were split between Innovations £35.3m (£31.6m) and the direct sales division £18.3m (£8.61m).

The company said that its "shrink to grow" strategy was complete.

During the period it sold Molly Housewares, Kleeneze Hygiene and Dalton Young, giving a total profit of £470,000, which was taken above the line, and acquired Stockingfillas and 50 per cent of Hawkshead.

Operating profit was £724,000 (£155,000 loss) including losses of £291,000 (£254,000) from discontinued activities.

Since the end of the year Kleeneze has announced the intention to sell 50 per cent of The Leading Edge and has bought Xtend from the George Davis Corporation.

The company said the first quarter's sales in the direct selling division continuing to grow strongly.

Innovations catalogues were enjoying their best level of response in three years.

Scantronic restricted by high component prices

By Paul Taylor

High semiconductor chip prices held back the first-half profits advance at Scantronic Holdings, the security components manufacturer and distributor, despite a 10 per cent gain in core UK sales reflecting new product launches.

Pre-tax profits were virtually unchanged at £1.59m in the six months to September 30, compared with £1.55m, on turnover ahead 12 per cent to £20.8m (£18.5m).

Mr Chris Brookes, chief executive, said high component costs in the first half, related to a fire at a Japanese resin plant in the summer, had squeezed margins and adversely affected performance. However, he said chip prices had since subsided and margins had now returned to previous levels.

Overall operating profits edged higher to £1.77m (£1.71m) while net interest charges increased to £175,000 (£167,000).

The UK operations reported reduced operating profits of £1.49m (£1.6m) on turnover which grew to £12.4m (£11.3m).

Since the end of September the group has acquired the Alarmexpress wholesale distribution business which is expected to broaden the UK customer base and contribute to profits in the second half.

International operations, mainly in continental Europe, reported slightly higher operating profits and turnover. The North American operations again showed a small operating loss but turnover grew strongly to £4.93m (£3.97m) reflecting an additional £600,000 spent on sales and marketing, and they are expected to be profitable in the current half.

Earnings per share edged up to 1.88p (1.84p) and the interim dividend goes up from 0.79p to 0.843p.

The group also restated its latest full year results to comply with FRS 3.

In particular a £1.5m charge previously reported as an extraordinary item – mainly related to a damages claim against the former owner of Arrowhead, a US acquisition – has been reclassified.

As a result the pre-tax profit for the year to March 31 has been restated to £1.59m with losses per share of 0.3p.

Enterprise Computer back in the black

Enterprise Computer Holdings, the Berkshire-based computer services group which has repositioned itself in the market, has returned to profit after a period of substantial losses.

The pre-tax profit of £90,000 for the six months to September 30 included £677,000 from the disposal of an investment in an associated company. The previous first half suffered a £3.41m deficit and the loss for that year came to £6.03m.

Turnover for the latest six months fell to £9.9m (£35.5m) earned entirely from mainframe sales and service. Last year's figure also included £6.63m from operations now discontinued.

Mr John Small, chairman, said the sales decline reflected "the general fall in demand for second-user mainframes." However, the group's change of focus towards providing corporation-wide network systems meant that mainframes represented less than 30 per cent of sales.

Interest payments jumped to £286,000 (£51,000) but the company said they were running at a much reduced level than in the second half of last year.

Losses per share were shaved to 0.02p (4.3p).

Mr Small added that SRH, in which Enterprise is a minority shareholder, was selling its communications division to TSB International of Canada. Consequently a £3.5m loan owed to Enterprise would be redeemed early in 1994.

Titon moves ahead to £2m in difficult market

Titon Holdings, the building products maker, reported pre-tax profits slightly ahead at £2m for the year to September 30, against £1.94m.

The USM-quoted company said despite the continued fragile state of the building industry, sales had risen from £10.8m to £11.3m. The window refurbishment and replacement market had been the strongest.

The pre-tax figure was struck after a £125,000 provision against a bad debt and lower interest income of £170,000 (£182,000).

Earnings per share were 12.07p (11.69p) and the proposed final dividend of 2.9p leaves an increased total of 4.2p (3.7p).

NEWS DIGEST

Hicking Pentecost up to £2m

Hicking Pentecost, the textiles and industrial products group, lifted pre-tax profits from £1.65m to £1.98m in the six months to September 30. Turnover was £18.2m, against £13.6m.

Earnings per share, after an increased tax charge, were 8.9p (7.73p) while the interim dividend is 1.65p (1.35p).

Mr John Lister, chairman, said that all businesses within the textiles and industrial products divisions were trading profitably and the group was benefiting from strong order books.

Birkby shows sharp advance to £581,000

Steady progress in its three key business areas enabled Birkby, which is involved in the provision of managed workspace, vehicle hire and instalment credit, to lift interim profits from £204,000 to £581,000 pre-tax.

The results for the six months to end-September included a three months' contribution from Hill Hire, the full benefit of which will be apparent in the second half.

They also took account of an exceptional provision of £525,000 relating to the disposal of New Range Systems. Turnover was £5.24m (£2.2m).

The interim dividend is lifted to 1.2p (1p) from earnings of 6.6p (4.8p). Directors intend to recommend a "substantially increased" final dividend should the current positive level of trading continue.

Murray Enterprise net assets jump

Murray Enterprise, the investment trust which now focuses on smaller listed companies, achieved an improvement in net asset value per share from 124.63p to 248.84p over the 12 months ended September 30.

The improvement was principally due to an investment in Nextel Communications of the US, which rose in value over the year from £4.9m to £8.1m.

Available revenue fell from £126,000 to £64,000. Earnings emerged at 0.53p (0.94p) assuming full conversion of the loan stock.

A single dividend of not less than 1.5p (1.31p) would be payable if all the loan stock was converted by December 31. Should no loan stock be converted the dividend for the year would be 1.9p.

For the 1993-94 year the board is forecasting a dividend of not less than 4p. A proposed 1-for-1 scrip issue would reduce that payment to 2p.

Premier Land incurs £719,000 loss

In his first report as chairman of Premier Land, formerly Vizcaya Holdings, Mr Desmond Bloom told shareholders that the group had completed the transformation to a property investment concern and that all mining interests had been fully divested.

For the nine months ended September 30 the group incurred a pre-tax loss of £719,000, equal to 0.85p per share. There was a comparative loss of £1.46m for the previous year which related only to the discontinued mining operation.

Mr Bloom pointed out that the group's portfolio has been valued at more than £40m and annual rent roll is currently £2.55m.

Swithland receiver sells offshoot

The personnel subsidiary of Swithland Group, the new and used car dealership which went into receivership in November, has been sold to its management.

Mr Myles Halley, of KPMG Peat Marwick, administrator to Swithland, yesterday announced the sale of Purple Triangle, which trades as JR Personnel.

Ms Juliette Ridewood, managing director, originally owned the Loughborough-based personnel recruitment and training specialist which became a subsidiary of Swithland in 1990.

Swithland went into receivership with debts of £17m shortly after it failed to float on the Stock Exchange.

Norex Corp makes agreed bid for Norex

Norex Corporation, an investment holding company, has made an agreed bid for Norex, which invests in oil and gas companies and operates a travel agency. The 200p a share cash offer, which values Norex at £18.8m, will be made through Carnegie International.

Norex Corporation currently owns 4.03m ordinary Norex shares, representing about 43.3 per cent of the capital.

River Plate General capital assets rise

Net asset value per capital share of River Plate and General Investment Trust improved from 79.8p to 166.7p over the year to October 31.

Available revenue was static at £4.81m (£4.84m), equal to earnings per income share of 8.95p (9p). A final dividend per income share of 5.9p makes a same-again 8.9p total.

Genesis Chile net assets at $29.24

Genesis Chile Fund net asset value was $29.24 at September 30, against $24.83 a year earlier. Net revenue was $5.27m (£3.53m), against $4.89m, for earnings per share of 64 cents, compared with 60 cents.

The dividend is raised to 60 cents (56 cents).

Vardon pays £3.5m for two attractions

Vardon, the visitors attractions and bingo group, has bought the Kingdom of the Sea attractions in Hunstanton and Great Yarmouth, Norfolk, for £3.5m.

The kingdoms were opened in 1989 and 1990 as Sea Life centres under a franchise agreement which was terminated in 1991. Since then they have been operated independently of Sea Life by Pleasureworld.

During 1992 the two centres attracted 370,000 visitors, and made pre-tax profits of £288,000, after costs of £153,000.

Gt Portland chief sells shares

Mr Richard Peskin, chairman and managing director of Great Portland Estates, sold on Tuesday 750,000 shares, representing a little more than 25 per cent of his holding in the company. The shares were placed by Cazenove at 225p.

Mr Peskin said he had no intention of selling any further beneficial shares within the next 18 to 24 months. He and his family still retain a holding of more than 2.1m shares.

COMMODITIES AND AGRICULTURE

Aluminium prices resume uptrend

By Our Commodity Staff

Rumours yesterday of a Russian smelter closure and buying by New York investment funds sent the London Metal Exchange aluminium price bouncing up to its highest level for two months.

Fund buying in the morning was probably stimulated by the buoyancy of other metals prices this week, analysts said. But it was met by aggressive selling by producers.

Then came widespread rumours that the Krasnoyarsk smelter in Russia, an 800,000-tonnes-a-year monster and the biggest in the world, was to close and be refurbished. Kaiser Aluminium of the US is known to be working on a $50m project to upgrade about 90,000 tonnes of capacity at the smelter. There was no confirmation of the total closure rumour so the market then concentrated on suggestions that the smelter involved was the smaller Novokuznetsk plant in Siberia. VAW of Germany has said it will help modernise this 280,000-tonne-a-year plant in stages.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, said the market reaction – short-covering sent the three-month aluminium price to $1,138 a tonne – was "a bit overdone." By the close the price had eased to $1,127.50 a tonne, up $26.75.

Doubts surround Indian oil expansion

Fears are growing about excess capacity, writes Shiraz Sidhva

India is planning a US$30bn expansion of its oil refining and petrochemicals industries as part of its wide-ranging programme to modernise its economy.

Undaunted by the recession in world oil and oil-product markets, the Indian government and private companies are planning to invest Rs500bn ($16bn) in existing and new refineries, to add 63m tonnes of capacity to the country's current total of 52m tonnes. They also plan to spend Rs240bn on nine new petrochemical ventures and double output of petrochemicals products to about 6.3m tonnes a year by the late 1990s.

The total proposed outlay is greater than for any other sector except power. Most of the investment will be funded by Indian money.

Mr Anil Ambani of Reliance Industries, a petrochemicals and textiles group, which is the first company in the private sector to obtain government approval to build a grass-roots refinery, says "the government will not be able to wave a magic wand and change the industry overnight, but at least they have started moving in the right direction".

The government believes the investments will help ease India's critical shortage of home-grown energy as well as greatly increasing supplies of oil-based industrial raw materials such as feedstocks for plastics and artificial fibres.

But critics believe that if a substantial number of projects go ahead India could be saddled with expensive excess capacity in industries that already have plenty of capacity world-wide. They point out that oil-based industries are protected by stiff import duties and benefit from high government-controlled prices, without which the projects could be unviable. "There's every likelihood there will be excess capacity," admits one senior government official.

The surge of private investment is highlighted by the government's recent clearance of Reliance's 9m-tonne, $3bn refinery project at Jamnagar in Gujarat, which will be the first for 11 years. The government has also cleared five other refinery projects – three in the public sector and two private. The nine new petrochemicals projects include Reliance's Rs40bn ($1.27bn) natural gas liquid/naphtha project at Hazira, Gujarat, and the state-run Gas Authority of India's Rs35bn project in Auriya, Uttar Pradesh.

These plans are a radical departure for India, which until the late 1980s retained tight government control over the industry, partly to promote traditional materials such as wood and clay. The government now regards oil-based products as an essential part of a modern economy and wants to cut imports of petroleum-based materials. Private companies are being called upon to invest because of the shortage of public funds.

India's oil fields produce only about a third of its requirements and petroleum topped the country's import list in 1991-92, accounting for $5.4bn or 27.7 per cent of the total.

The country also has a vast potential demand for petroleum products. Per capita energy consumption of 231kg of oil equivalent is less than half of China's and a fifth of the world average. Its annual consumption of plastics at 1kg a head is way below the world average of 16kg. Demand for petroleum products is expected to grow at a rate of 6.9 per cent a year, from 62m tonnes in 1993-94 to 80m tonnes by 1996-97.

The euphoria generated by liberalisation may be short-lived, however. Industry watchers say recession, coupled with excess capacity in many countries around the world, has led to a sharp decline in the prices of petrochemicals products. Indian companies, which will have to rely on exports to bolster their profits once domestic demand slackens, will find it difficult to survive in an already overcrowded marketplace.

Moreover, new producers may be unable to rely on the high administered prices that the industry currently enjoys. The government is steadily dismantling price controls – last month it liberalised the prices of lubricant oils. The profitability of the planned investments will depend critically on how future price decontrol is managed.

Indian producers will also suffer competitive disadvantages on the world market. Finance is scarce and capital costs are high; labour costs are low, admittedly, but refineries and petrochemicals plants are capital- not labour-intensive. In addition, infrastructure like pipelines and ports are inadequate and will have to be expanded, at substantial cost. Electric power is in short supply and tariffs are considerably higher than in other countries. Duties on imported capital equipment add to costs.

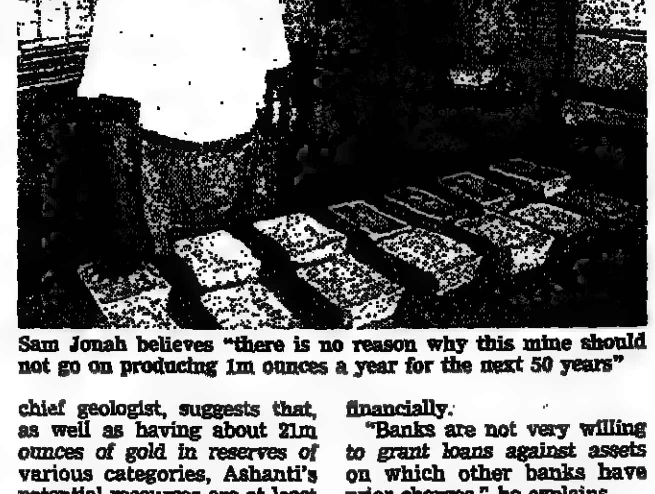
The industry will face increasing foreign competition from low-cost production centres such as the Middle East and Singapore as import tariffs decrease. The sector will be crippled unless planned duty reductions are carefully co-ordinated with changes in domestic prices for products and inputs like power.

Mr Ambani warns that the industry could "perish overnight" if the government does not take adequate steps to co-ordinate reforms. "The government will have to reconsider feedstock and energy prices, which are very high, and make it difficult for Indian industry to compete internationally," he says.

"Mr KK Mathur, a senior official at the ministry of chemicals and fertilisers, says: "We have to allow for a certain adjustment process and introduce the reform process in phases. The total impact of the reform measures can only be assessed over a period of time. It is imperative that we do not force the pace".

Exploration pays golden dividend for Ashanti

By Kenneth Gooding, Mining Correspondent in Obuasi, Ghana



Sam Jonah believes "there is no reason why this mine should not go on producing 1m ounces a year for the next 50 years"

Ghana's Ashanti Goldfields, after more than 100 years of operation during which it has produced in excess 21m troy ounces of gold, is poised for a substantial expansion, according to Mr Sam Jonah, the company's managing director.

He says that this probably makes Ashanti unique in the gold mining world and that "there is no reason why this mine should not go on producing 1m ounces a year for the next 50 years, particularly now we have an aggressive exploration programme for the first time in our history".

The company's US$300m, four-year expansion programme is already ahead of schedule to take annual output – which dwindled to only 220,000 ounces in 1987 but rebounded to a record 765,250 ounces in 1992-93 – to more than 1m ounces by 1996. That would place Ashanti among the world's top ten gold producers.

The recent boost to exploration efforts has paid off handsomely.

A number of new and promising gold deposits have been located within the company's concession area, about 180 miles north of Accra, the capital, including one called Bekansi that already has an identified potential resource of some 32,000 ounces of gold but continues across the western border of the company's concession of 200,000 square kilometres.

Ashanti has applied to the Mining Ministry for a licence to extend its operations on to the adjoining concession – which would add another 169,000 square kilometres for it to explore.

The company is hopeful that the licence will be granted in the middle of next month, just ahead of its flotation on the London and Ghana stock exchanges early next year.

Mr Joe Amanor, Ashanti's chief geologist, suggests that, as well as having about 21m ounces of gold in reserves of various categories, Ashanti's potential resources are at least 31m ounces and possibly as much as 50m.

Since 1969 Ashanti has been jointly owned by the Ghanaian government, with a 55 per cent stake, and Lonrho, the London-based conglomerate that also manages the mine. The government hopes to raise about US$250m by selling 25 per cent of Ashanti. Lonrho says, however, that as mining is one of its core businesses it has no intention of selling a single share.

Mr Jonah makes it clear that, once Ashanti gains more financial flexibility via the flotation, it intends to become much more like a traditional mining house by developing operations both elsewhere in Ghana and also beyond its borders.

Its ownership has forced Ashanti to raise loans for expansion – a banking consortium lead by the International Finance Corporation, the private sector arm of the World Bank, put up $140m towards the present programme– and Mr Jonah suggests that this has "shackled" the company financially.

"Banks are not very willing to grant loans against assets on which other banks have prior charges," he explains.

Nevertheless, Ashanti is sitting on one of the richest and highest-grade gold deposits in the world and this has enabled it to remain highly profitable and to pay dividends.

The 1992-93 profit is still be audited and adjusted for the flotation by auditors Price Waterhouse, but the trend is clear.

Accounts drawn up for the year to September on the same basis as those for the previous 12 months would show a net profit of about 65bn cedis ($109m) against 27.2bn cedis the previous year.

Mr Jonah points out that the expansion programme is allowing Ashanti to mine ore of a lower grade (rock with less gold per tonne in it). "We are concentrating on volume and on keeping the cost per tonne down." Consequently, even though Ashanti is mining lower-grade ore, its cash costs, which were above $200 an ounce before the expansion started, should average $175 for the next few years, placing the company among the world's lowest-cost gold miners.

Anglo in Malian project

By Philip Gawith in Johannesburg

Anglo American Corporation is to develop a $200m open pit gold mine in Mali in partnership with the Mali government and Iamgold, the Canadian concession holder.

Anglo, South Africa's largest mining house, announced yesterday that a feasibility study of the "world-class" deposit at Sadiola in south-western Mali had been completed and said it hoped to start development early in 1994. A business vehicle will be formed by Anglo, Iamgold and the Malian government – in the ratio 40:40:20 – to undertake the development.

Mr Neville Keys, projects director at Anglo's New Mining Business division, said the mine was expected to be a cheap producer. The pit is shallow, the grade is good, 3 grammes a tonne, and there are no metallurgical complications – the gold will be recovered by conventional carbon-in-pulp technology. The mine has more than 50m tonnes of treatable ore and, at an annual mining rate of about 4m tonnes, should have a life-span of about 13 years. Peak production will be about 11-12 tonnes of gold a year, with total production of 118 tonnes anticipated over the life of the mine.

Mr Keys said that although the project was not technologically complex, sparse infrastructure made it logistically challenging. Accordingly the group is cautious about how soon the project will be operational, though it is contractually bound to be commissioned by the beginning of 1997.

Agreement was reached just over a year after Anglo signed the initial option agreement with Iamgold. Mr Keys said Anglo would be looking to finance its stake in the project mostly through offshore loans. He said it was a good project and maximum project finance was being sought.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1027.5-28.5	1127-28
Previous	1080-80.5	1100.5-01
High/low		1139/1108
AM Official	1099-100	1119-19.5
Kerb close		1127-28
Open int.	273,874	
Total daily turnover	63,892	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	963-65	987-89
Previous	949-51	973-75
High/low	955	990/978
AM Official	955-56	979-81
Kerb close		985-90
Open int.	2,552	
Total daily turnover	410	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	456.5-57.5	470-71
Previous	447.5-48.5	461-62
High/low		473/455
AM Official	447-48	460.5-61.5
Kerb close		468.5-70
Open int.	29,996	
Total daily turnover	5,863	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4990-95	5049-50
Previous	4960-70	5020-25
High/low		5060/4970
AM Official	4950-54	5010-11
Kerb close		5040-50
Open int.	49,961	
Total daily turnover	6,765	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4735-40	4785-90
Previous	4755-65	4810-20
High/low	4730	
AM Official	4810/4770	4780-82
Kerb close		4770-80
Open int.	16,009	
Total daily turnover	2,668	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	983.5-84.5	1001-02
Previous	980-81	998-99
High/low	977.5	1006/991
AM Official	977-78	995-96
Kerb close		1001-02
Open int.	67,421	
Total daily turnover	17,772	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1677-78	1699-99.5
Previous	1674-75	1697-98
High/low	1676.5/1676	1705/1698
AM Official	1676-76.5	1698.5-99
Kerb close		1696-97
Open int.	213,731	
Total daily turnover	58,906	

■ LME AM Official £/$ rate: 1.4930

LME Closing £/$ rate 1.4845

Spot:1.4949 3 mths:1.4883 6 mths:1.4826 9 mths:1.4788

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Dec	76.60	-0.15	76.90	76.50	2,473	282
Jan	76.70	-0.35	77.00	76.70	1,529	20
Feb	77.00	-0.30	-	-	990	3
Mar	77.25	-0.35	77.75	77.10	44,875	[illegible]
Apr	77.45	-0.35	77.60	77.60	533	2
May	77.55	-0.30	78.10	77.55	7,500	436
Total					70,769	4389

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.60-383.00	
Opening	382.50-383.00	
Morning fix	382.50	256.196
Afternoon fix	382.50	256.076
Day's High	383.50-383.90	
Day's Low	381.60-382.20	
Previous close	383.00-383.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.73
2 months	2.69	12 months	2.81
3 months	2.71		

Silver Fix	p/troy oz.	US cts equiv.
Spot	333.50	497.25
3 months	337.45	501.25
6 months	341.35	505.30
1 year	348.85	514.40

Gold Coins	$ price	£ equiv.
Krugerrand	384-387	256-259
Maple Leaf	393.95-396.40	
New Sovereign	88-91	59-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	382.8	-1.2	383.6	381.8	1,029	413
Jan	382.4	-1.3	-	-	1	6
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Jan	101.20	-0.15	101.15	101.00	1,140	49
Mar	102.35	-0.20	102.40	102.10	1,967	73
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	1241	1247

WOOL

With only one week to before the Christmas recess in the Australian selling season wool auction reports continue to indicate firm prices. The tendency if anything is slightly dearer, with the market indicator reaching 477cents, 9 cents higher than a week before. The Australian wool production forecast was revised upwards from 880m.kg to 717m.kg last week but the figure is still 12% lower than last season and much of the wool has already been sold. Some traders expect a degree of shortage in the second half starting in January.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	960	-1	960	954	215	120
Mar	1047	-4	-	1055	47,652	2,403
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,418
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	184
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	328
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	159
Total					[illegible]	4,847

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	34
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,624
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	647
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	503
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	227
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
Total					[illegible]	5,088

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 8	[illegible]	1020.51
Daily	[illegible]	
10 day average	1027.70	1023.71

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	926
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1012
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	335
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	107
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	2,293

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	89
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,580
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	892
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	186
Total					[illegible]	6,389

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Dec 8	[illegible]	
Comp. daily	71.00	70.60
15 day average	70.54	70.78

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	135
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	186

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	667
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	719

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,808
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	600
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	214
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	199
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	5,628

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	76
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,733
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,578
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,129
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	101
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	411
Total					[illegible]	8,978

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,322
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,040
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	578
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	158
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25
Total					[illegible]	3225

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 9	Dec 8	month ago	year ago
1650.8	1649.8	1618.4	1662.6

■ CRB Futures (Base: 1967=100)

Dec 8	Dec 7	month ago	year ago
223.45	222.34		-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	64.12	-0.04	64.28	63.80	7,907	3,621
May	65.25	+0.11	65.40	64.90	31,700	9,883
Jul	66.30	+0.20	66.40	65.95	17,024	2,501
Oct	66.05	+0.20	65.15	64.57	11,658	1,765
Dec	64.20	+0.35	64.20	63.75	5,814	891
Mar	64.90	+0.35	-	-	1,969	297
Total					76,016	17,979

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	43.775	0.325	44.000	43.500	1,561	991
Feb	46.350	0.425	46.650	46.075	11,843	2,210
Apr	47.125	0.100	47.225	46.775	4,482	787
Jun	52.875	-	52.950	52.675	2,999	226
Jul	52.500	-	52.550	52.250	[illegible]	72
Aug	51.100	+.025	51.100	50.650	614	25
Total					[illegible]	4,306

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	LAST	+.400	HIGH	LOW	5,339	2,906
Mar	55.100	+.525	55.350	53.100	925	737
May	55.500	+.575	55.550	53.400	1,252	242
Jul	55.400	+.750	55.700	54.300	1,203	65
Aug	57.400	+.050	57.500	54.800	135	23
Feb	54.800	-	-	-	-	-
Total					9,850	3,973

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1050	79	91	5	14
1075	59	88	10	18
1100	42	66	18	26
■ COPPER (Grade A) LME	Feb	May	Feb	May
1600	99	128	5	14
1650	60	92	15	27
1700	31	62	36	47
■ COFFEE LCE	Jan	Mar	Jan	Mar
1150	104	124	-	30
1200	56	92	2	45
1250	19	67	15	73
■ COCOA LCE	Mar	May	Mar	May
950	110	123	13	29
1000	75	91	28	28
1050	46	65	51	61
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1400	18		43	65
1450	2	34	85	
1500	5	20	128	140

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$12.20-2.31	+0.205
Brent Blend (dated)	$13.64-3.65	+0.045
Brent Blend (Jan)	$13.64-3.65	+0.015
W.T.I. (1pm est)	$14.61-4.63	-0.02

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$141-143	
Gas Oil	$148-149	
Heavy Fuel Oil	$54-55	-0.06
Naphtha	$130-133	
Jet fuel	$165-167	+1

Petroleum Argus Estimates

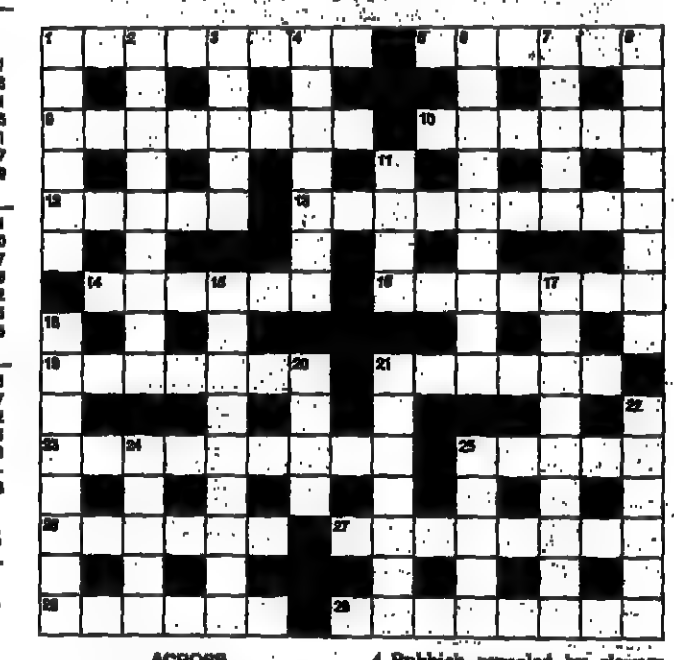
■ OTHER

Gold (per troy oz)♣	$382.60	-0.45
Silver (per troy oz)♣	498.5c	-2
Platinum (per troy oz.)	$380.75	+0.55
Palladium (per troy oz.)	$126.75	+1
Copper (US prod.)	32.75c	
Lead (US prod.)	82.0c	
Tin (Kuala Lumpur)	11.68r	-0.02
Tin (New York)	222.0c	-1.5
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.14p	+0.59*
Sheep (live weight)†♠	88.94p	-1.51*
Pigs (live weight)	75.75p	+2.13*
Lon. day sugar (raw)	$271.30	-0.7
Lon. day sugar (wte)	$285.50	
Tate & Lyle export	£293.0	-1
Barley (Eng. feed)	£108.75y	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£175.0z	
Rubber (Jan)♥	60.75p	
Rubber (Feb)♥	61.00p	
Rubber (KL RSS No1 Jul)	208.0m	
Coconut Oil (Phil)§	$580.0x	+72.5
Palm Oil (Malay.)§	$412.5y	-2.5
Copra (Phil)§	$395	+15
Soyabeans (US)	£199.5	-0.8
Cotton 'A' Index	58.60c	
Wooltops (64s Super)	341 p	+2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. z Jan. v Sep/Oct. t Dec/Jan. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,328 Set by HIGHLANDER



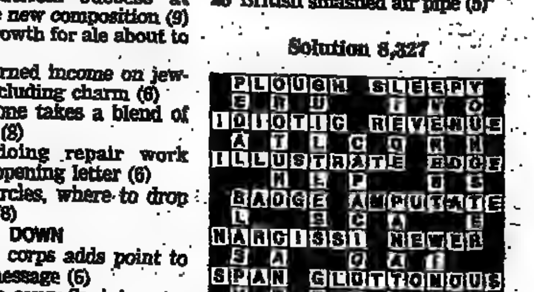
ACROSS

1 First of many old and young women to make treacly stuff (8)
5 Trader who distributes suits? (6)
9 Famous owner changed study round (8)
10 Finds fault with lack of heat on board (6)
12 Unsuccessful competitor starting cold would get closer (5)
13 Broadcast girl put on weight and died (9)
14 Polish perhaps, but by the sound of it from Helsinki (6)
16 Philosopher running from group of soldiers (7)
19 Negotiated special surprise edition (7)
21 Stops working: starts to extract less fuel (6)
23 For theatrical success at Prom use new composition (9)
25 Young growth for ale about to stir (5)
26 Spend earned income on jewellery, including charm (6)
27 Suggest one takes a blend of mint tea (8)
28 Finish doing repair work without opening letter (6)
29 In low circles, where to drop anchors (8)

DOWN

1 Esprit de corps adds point to story's message (6)
2 Arrives to cover Spain's natural disaster (9)
3 Seed distributor is worse when drunk (5)
4 Rubbish revealed by cleaner used on optics (7)
6 Egg on with half open bottle (9)
7 Purple shrub; to lift one, put ring round (5)
8 Tenant is about.... is about to push in (8)
11 Small cut? It's easily done (4)
15 At sea, mostly (2,3,4)
17 Exaggerated number of balls taken out (9)
18 Charge made by animals impressed English (8)
20 Hundreds of Romans are a challenge (8)
21 Read random passages from Princess on a Horse (3,4)
22 Takes pleasure always going over beginnings of la Scala (6)
24 Caused downfall of Parisian one, later executed (5)
25 British smashed air pipe (5)

Solution 8,327



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 3,300 touched before profit-takers arrive

By Terry Byland,
UK Stock Market Editor

The brakes were slammed on hard when the UK stock market burst briefly through the Footsie 3,300 mark yesterday morning, and the session ended on the downside in moderate selling pressure. With both gilt-edged and sterling quieter at first, equity investors decided to take profits ahead of the closure tonight of an extremely successful two-week trading account.

However, government bonds moved up at the close when there were buyers as well as sellers for equities. The final reading on the FT-SE 100 Index, down 5.8 at 3,271.6, compared with a day's low of 3,263.6) The new equity trading account is extended for three weeks to cover the Christmas holiday. Dealers expect plenty of action as brokerage houses and the investment press disclose their share recommendations for the new year, and were unwilling to be short of stock yesterday.

Early dealings saw completion of the last of the buying orders put in by the big institutions on Wednesday. Backed up by initial strength in the December futures contract, the Footsie gained nearly 23 points to register a new intraday peak of 3,300.1, showing a rise of 100 points since the Budget speech. Buying has been led by the overseas institutions, with US investment funds making the running.

But stock index futures, continuing to exercise a powerful influence, turned sharply downwards and share prices quickly followed. Bank shares, which have been a prime driving force behind the latest upswing in the Footsie, dipped sharply, with marketmakers only too happy to mark prices down in order to attract stock to refill their depleted trading books. Marketmakers have taken heavy punishment this week as prices have raced ahead.

Oil shares also took punishment, extending their losses in the late afternoon when US sellers made an appearance. Weak oil prices continued to take their toll of the exploration issues, with Lasmo hit by the departure of the chairman.

But across the broader range of equities, activity was more "stock specific" and investors sought out shares thought to have been overlooked. Stores shares gave back only a few pence. The FT-SE Mid 250 Index, extending the range of the Footsie down into second line issues, continued to make headway, rising 6.3 to a new peak of 3,596.2. The Footsie Mid 250 is the area which attracts private investor interest. After falling sharply during the pre-Budget sell-off, the Mid 250 has recovered ground rapidly and once again remained positive in spite of profit-taking in the blue chip stocks.

Seaq volume, measured in numbers of shares traded, was high at 884.8m shares, against 821.4m on Wednesday, when retail business worth of £1.72bn was at the higher end of this year's daily figures.

Company statements, while spurring interest in the stocks themselves, did little to change perceptions across the market. Traders stressed the volatility of the equity sector, which was seen as indicating that profit-taking was absorbed easily and quickly, with investors showing no serious signs of doubt regarding the market's gain over the past two weeks.

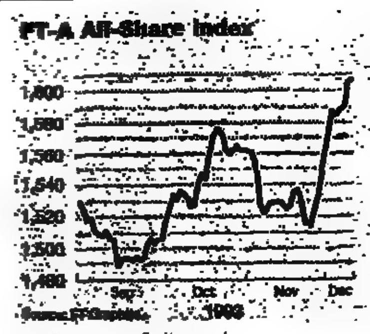
The slower trend of the other leading European bourses did nothing to dim London's conviction that interest rates are on the way down, and that this will confirm predictions that UK base rates will be cut again early in the new year.

Account Dealing Dates

*First Dealings:		
Nov 29	Dec 13	Jan 4
Option Declarations:		
Dec 9	Dec 30	Jan 13
Last Dealings:		
Dec 10	Dec 31	Jan 14
Account Day:		
Dec 20	Jan 10	Jan 24

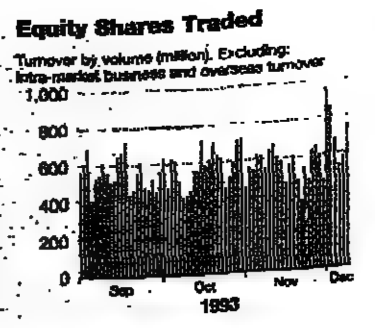
*New time dealings may take place from two business days earlier.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT SE 100	3271.6	(-5.8)	FT Ordinary index	2462.9	(+8.5)
FT-SE Mid 250	3596.2	(+6.3)	FT-A 500 p/e	20.54	(20.57)
FT-SE-A 350	1626.6	(-1.7)	FT-SE100 Fut Dec	3281.0	-10.0
FT-A All-Share	1606.20	(-1.38)	10 yr Gilt yield	6.35	(6.37)
FT-A All-Share yield	3.53	(3.53)	Yield ratio:	1.94	(1.95)

Best performing sectors

1. Metals & Metal Forming +1.6
2. Contracting, Const +1.5
3. Motors +1.5
4. Building Materials +1.4
5. Insurance (Composite) +1.4

Worst performing sectors

1. Oil & Gas -1.3
2. Textiles -1.2
3. Insurance (Life) -1.0
4. Water -0.7
5. Brewers & Distillers -0.6

Renewed pressure on Lasmo

Storm clouds gathered over Lasmo, the troubled oil exploration group, as the market reacted to another front-line resignation from the group's board, the third in a year. Lord Rees said he is stepping down as chairman after the annual meeting next year.

Lord Rees's move follows the resignation earlier this year of Mr Chris Greentree, the former chief executive and leading light in Lasmo's acquisition of Ultramar some 18 months ago, and the recent ousting of Mr Michael Pavia, former finance director.

"It is now virtually certain the final dividend will be cut, and to make matters worse the stock is not worth £1 with oil at $13 a barrel," said one oil sector specialist.

Lasmo shares, already suffering the effects of the steep decline in crude oil prices, which were trading around the $13.50 a barrel mark yesterday, fell 6 to 109p, their lowest level since January 1987. The latest drop in oil prices followed bearish remarks made by Sheikh Yamani, the former Saudi Arabian oil minister and leading light in Opec, who said prices could well drop to $10 in the new year.

Pilkington firm

Dealers were surprised at the market's strongly positive reaction to interim results from glass manufacturer Pilkington. Although the group's half-year profits came out at £30.5m, well up on last year's £15m and ahead of most expectations, the dividend was cut.

Some traders said there was relief that the results had not been accompanied by a rights issue, but others said a cash call had been unofficially ruled out by the company in response to market rumours some weeks ago. And specialists were impressed with the post-results company meeting.

The general impression in the market, however, was that the shares had responded mostly to a substantial squeeze of marketmakers' short positions. "Once the shorts are unwound, there could be a reaction in the share price," said one marketmaker, who added that the building materials sector had outperformed strongly in the past couple of months. The shares advanced 11 to 168p on turnover of 15m.

The pharmaceuticals sector experienced switching from Wellcome to Glaxo on concern over one of the former's key treatments.

The New England Journal of Medicine published a report showing that Zovirax, the anti-herpes product, had proved ineffective in treating genital herpes in an otherwise healthy man. Analysts said problems in treating one patient were unlikely to lead to big worries over Zovirax, which represents around 37 per cent of Wellcome's turnover. But they added that it could hinder an application to sell it over the counter in the US. Wellcome shares fell 14 to 656p, while Glaxo rose 9 to 697p.

Turnover in Standard Chartered was a hefty 2.8m as the share price gyrated between a record 1259p and 1201p, responding to intermittent bouts of renewed strong buying by institutions seeking to buy market weightings in the stock and flurries of profit-taking. A leading broking house was said to be putting a £20 a share price target on Standard, which fell 8 to 1229p.

Royal Insurance was the pick of a busy composite insurance sector, closing 15 up at 317p after a positive judgment on industrial pollution in the House of Lords. London International Group dropped 28 to 111p after announcing a £5.1m interim loss, against forecasts of a £4m to £5m profit. Analysts were quick to cut back forecasts for the company, which has been dogged by problems. Hoare Govett has pencilled in a loss forecast of £6.5m, against a previous profit estimate of £10m for the full year, but said everything depends on the timing of disposals and restructuring.

Powerscreen International, the Northern Ireland-based manufacturer of screening and stone crushing equipment, came under renewed pressure as rumours persisted of an inland revenue inquiry. The company said it knew of no reason for the decline in the shares which have collapsed from 372p a week ago to yesterday's 272p, a net fall of 31 on the day.

Burmah Castrol was the outstanding performer in an otherwise depressed oil sector, the shares racing to an all-time high of 833p at one point before easing to close 16 higher at 818p as the market focused on potential beneficiaries of weak oil prices.

The majors, on the other hand, suffered from yet another dose of afternoon selling. Dealers said US institutions, which have been the big supporters of BP over the past year or so, have begun to reduce their holdings, certainly in BP and possibly also in Shell.

US holdings accounted for around 24 per cent of BP at the last count. BP settled 9¼ lower at 320½p – the shares' lowest closing level since September – after heavy turnover of 11m. Shell retreated 11 to 695p on 3.7m traded.

Second-liners Clyde Petroleum was firm as recent hints of exploration success gathered momentum, driving Clyde shares up to 53p before they closed 5 higher at 51½p. Analysts refused to rule out a series of rationalisation moves in the exploration and production sub-sector.

Improved UK car sales gave a boost to motor-related stocks. Among component manufacturers, T&N advanced 8 to 199p, Motor World 3 to 326p, BBA Group 7 to 189p, Laird Group 6 to 335p. Distributor T. Cowie climbed 5 to 258p.

The arrival of furniture group DFS in the FT-SE 250 helped the shares climb 9 to 304p. However, Betterware's exit was said to be behind its fall of 9 to 140p.

Profit-taking marred respectable results from Great Universal Stores, the shares giving up 9 to 583p. Signet Group, formerly Ratners, continued to decline on talk of slack sales. The shares slipped 2¾ to 15¾p.

In a quiet drinks sector, Guinness bore the brunt of a downgrade from Lehman Brothers, the shares sliding 10 to 468p. The US broker was said to have cut its 1993 profit forecast to £835m from £890m, and to £902m from £920m for 1994. Greenalls added 8 to 415p on the back of positive comment after results on Tuesday.

Results from Compass Group included a 31 per cent profit rise and saw the shares jump 19 to 514p. Hoare Govett moved from hold to buy on the stock following a positive results meeting. UBS was said to have recommended Granada Group, up 11 at 484p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 19

■ NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (265) BRITISH FUNDS (66) OTHER FIXED INTEREST (2) CANADIANS (2) Brascan, Alcan, Rio Algom, BANKS (10) ANZ, Abbey Natl., Bank of Scotland, Barclays, Deutsche, HSBC, Do. HK, Natl. Westminster, Standard Chart., TSB, BREWERS (5) Eldridge Pope A, Globe New, Matthew Clark, Scott. & Newc., Vaux, BLDG MATLS (14) SPB Inds., Caradon, Do. Pf., Heywood Williams, Kingspan, Marley, Meyer, Pilkington, Do. Wnts., Redland, Rugby, Tarmac, Travis Perkins, Wolseley, BUSINESS SERVS (2) BET, Hutch. Whmp., CHEMS (2) BASF, Bayer, CONTG & CONSTRCN (5) Banner Homes, Barratt Dev., Berkeley, Bryant, CALA, ELECTRICALS (1) Bicc Cap. Fin. 10½pc Bds., ELECTRICITY (16) ELECTRONICS (7) Abacus, Bowthorpe, Control Tech., Druck, Electrocomponents, Pacer Systems, Soundtracs, ENG GEN (4) BSS, Clayhithe, Molins, FOOD MANUF (1) Nestle, HOTELS & LEIS (4) Break for the Border, Compass, Crockfords, Rank, Do. Pf., INSCE COMPOSITE (1) Allianz, INSCE LIFE (1) Liberty Life, INV TRUSTS (155) MEDIA (7) Carlton Comms., Central ITV, Elsevier, HTV, Reed Intl., Reuters, Southnews, MERCHANT BANKS (1) Kleinwort Benson, MTL & MTL FORMING (4) Brit. Steel, Glynwed, Manganese Bronze, Thyssen, MISC (5) Birkby, Brit. Bloodstock, Brit. Thornton, Feltor Prest, Headlam, Hathaway, Kershaw (A), LGW, Minmet, MOTORS (5) Dixon, Lucas, Do. Wrnts., OIL & GAS (1) Burmah Castrol, OTHER FINCL (6) Caledonia, Natl. Home Lns. Pf., Perpetual, S & U Pf., Swire Pac. A, Tyndall Aust. Opts., OTHER INDLS (3) Amber Indl., RJB, Whitecroft, PACKG, PAPER & PRINTG (1) Ferguson, PROP (17), STORES (4) Argos, Cantors, Kingfisher, Oriflame, TELE NETWORKS (1) Cable & Wire. 7pc Cv. 2006, TEXTS (2) Hallam, Stirling Rest., TRANSPORT (4) BAA, Brit. Airways, Do. 9¾pc Cv., Norex, WATER (9) Anglian, Nth. West, Northumbrian, Severn Trent, Sth. West, Southern, Welsh, Wessex, Yorkshire, SOUTH AFRICANS (4) Anglo Am. Inds., SA Brews., PLANTATIONS (2) Bertam, Rowe Evans, MINES (61).

NEW LOWS (25) BRITISH FUNDS (1) AMERICANS (1) Dacora, BUSINESS SERVS (1) Salvesen (C), CHEMS (2) Caird, Holliday, CONTG & CONSTRCN (1) Donelon Tyson, ENG GEN (1) Powerscreen, FOOD MANUF (1) Perkins, FOOD RETAILING (2) Gaest, Kwik Save, HEALTH & HSEHOLD (4) Cantab, Huntingdon, London Intl., Smithkline Beecham A, MTL & MTL FORMING (1) Sycamore, MISC (2) Bullers, Shanks & McEwan, OIL & GAS (2) Ex. Co. of Louisiana, Oceonics, PACKG, PAPER & PRINTG (1) Bidlex, STORES (1) Brown & Jackson, TEXTS (4) Baird (W), Compact, Lowe (R.H.), Stoddard.

Data based on those Companies quoted on the London Share Service.

EQUITY FUTURES AND OPTIONS TRADING

December Footsie futures broke through 3,300 yesterday but failed to hold their gains after a rumoured £100m sell order kicked in when the underlying market hit that level, *writes Peter John*.

December opened at 3,297 and drove forward to 3,313 while maintaining a high premium to cash. However, some dealers suggested one house had sold a big tailor-made call option, or OTC, which would automatically cancel out if the underlying FT-SE 100 broke through 3,300.

If that were the case, the buyer would only have benefited from rises in the stock market up to the knock-out level. A ceiling on possible returns would have made it cheaper to buy.

The seller of the option would have to be able to supply stock but once the contract was void, stock bought as a hedge would have to be sold back into the market.

The market did indeed turn when underlying equities nudged above 3,300 and the futures were at a 13-point premium. Dealers added that the recent bear squeeze had dissipated.

The subsequent slide received further impetus from strong producer price figures in the US which revived concern that US investors might begin to repatriate their holdings.

December swung back to 3,281 by the official close on strong turnover of more than 16,200 contracts.

Among options, there was strong turnover of 54,423 lots, almost half of which represented the two classes of FT-SE options. The most heavily traded stock options were HSBC on 3,831 lots, followed by Bass.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3297.0	3281.0	-10.0	3313.0	3273.0	16094	47732
Mar	3321.5	3300.5	-10.0	3331.0	3296.0	4269	30631
Jun		3310.5	-10.0			0	981

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3120) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Dec	281	½	231	½	181	½	133	1½	85	3	42	11	14½	34½	3	84
Jan	284	5	247½	8	201½	12	165	18	118½	28½	82	43½	53	65½	31½	96
Feb	308	10½	260	13	218½	20	174½	28	138½	40	103	57½	74	79½	52	109½
Mar	313½	17	270	23½	227	29½	189	41½	151½	53	120	72	91	96	67	121½
Jun†	337½	35			259½	56			198	85½			150	124½		

Calls 6,972 Puts 1,285

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Dec	356	½	306	½	256	½	206	½	156	½	107½	2	61	5½	26	18½
Jan	365	2½	318½	3½	268½	6	222	9	178½	12½	134½	20½	97	32½	65½	59½
Feb	374½	5			281	10½			193½	22½			119½	47		
Mar	382½	13			292½	27			208	35			136	60½		
Jun†	401½	27			316	38½			229½	50			173½	90½		

Calls 13,141 Puts 6,568 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT-SE Actuaries Share Indices — The UK Series

	Dec 9	Day's chge%	Dec 8	Dec 7	Dec 6	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3271.6	-0.2	3277.4	3237.3	3237.3	2726.5	3.61	5.37	23.04	90.06	1194.86
FT-SE Mid 250	3596.2	+0.2	3589.9	3568.0	3565.8	2665.6	3.40	5.55	21.87	[illegible]	1302.32
FT-SE Mid 250 ex Inv Trusts	3593.6	+0.1	3588.6	3567.9	3564.9	2674.6	[illegible]	5.86	20.56	95.02	1297.12
FT-SE-A 350	1626.6	-0.1	1628.3	1610.6	1610.4	1322.4	3.56	5.31	22.77	44.12	1217.11
FT-SE SmallCap	1776.37	+0.2	1772.70	1771.97	1772.69	–	5.10	4.03	33.19	41.54	1344.36
FT-SE SmallCap ex Inv Trusts	1740.71	.....	1740.80	1742.42	1743.80	–	3.34	4.55	30.22	43.72	1320.18
FT-A ALL-SHARE	1606.20	-0.1	1607.58	1591.07	1590.93	1297.40	3.53	5.33	23.21	43.22	1223.19

■ FT-Actuaries All-Share

	Dec 9	Day's chge%	Dec 8	Dec 7	Dec 6	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
1 CAPITAL GOODS(214)	1090.52	+0.9	1089.79	1083.22	1082.32	802.83	3.53	3.96	32.22	31.18	1306.07
2 Building Materials(28)	1333.12	+1.4	1314.89	1300.37	1307.29	793.87	3.38	2.88	52.93	[illegible]	[illegible]
3 Contracting, Construction(29)	1072.66	+1.6	1056.71	1058.78	1059.82	646.25	2.96	1.10	80.00†	25.21	1590.79
4 Electricals(15)	2984.13	+1.1	2951.70	2939.53	2941.88	2237.73	4.53	3.56	34.81	105.80	1222.14
5 Electronics(38)	2733.17	-0.4	2743.03	2748.39	2753.03	2177.81	3.24	6.31	19.01	69.29	1200.02
6 Engineering-Aerospace(7)	472.82	+0.7	469.66	468.97	473.61	263.98	3.06	‡	‡‡	12.12	1656.47
7 Engineering-General(49)	634.81	.....	634.56	629.05	635.04	466.63	3.40	5.43	32.45	16.33	1281.67
8 Metals & Metal Forming(8)	505.67	+1.6	497.89	492.40	486.15	296.17	2.36	0.66	80.00†	8.96	1607.99
9 Motors(20)	470.84	+1.5	463.89	466.20	455.69	348.36	4.70	3.86	35.86	19.46	1324.23
10 Other Industrials(19)	2153.08	+1.2	2126.91	2117.54	2089.80	1866.98	3.69	5.62	20.25	71.65	1123.76
21 CONSUMER GROUP(236)	1764.02	-0.2	1766.68	1756.02	1768.39	1701.42	3.41	6.38	18.93	45.29	1036.31
22 Brewers and Distillers(28)	2036.61	-0.6	2048.72	2011.09	2014.93	1963.27	3.75	6.90	17.34	48.45	1001.07
25 Food Manufacturing(24)	1372.22	-0.2	1374.38	1369.41	1371.22	1277.65	3.78	7.09	16.71	38.87	1070.56
26 Food Retailing(17)	2467.05	+0.8	2448.35	2419.17	2450.58	3148.66	3.69	10.65	11.69	71.24	781.02
27 Health & Household(31)	3623.66	.....	3623.04	3627.21	3679.24	4341.70	3.76	6.53	17.85	100.05	879.90
29 Hotels and Leisure(20)	1461.28	+0.9	1448.23	1433.46	1437.44	1190.94	4.07	5.79	21.60	58.05	1187.87
30 Media(34)	2361.19	-0.2	2364.83	2341.63	2353.56	1748.36	2.21	4.40	27.41	39.00	1320.79
31 Packaging and Paper(26)	920.72	-0.1	921.89	914.31	920.37	752.27	3.29	5.14	23.54	24.26	1215.34
34 Stores(39)	1403.45	-0.6	1412.24	1412.03	1421.82	1111.40	2.60	5.06	24.77	29.09	1240.61
35 Textiles(20)	812.25	-1.2	822.07	835.30	834.42	705.82	3.78	5.66	22.12	23.45	1120.20
40 OTHER GROUPS(144)	1751.25	-0.2	1755.35	1723.10	1720.44	1381.36	3.76	6.56	18.32	47.27	1258.82
41 Business Services(27)	1669.22	-0.6	1679.39	1671.64	1693.45	1383.31	2.72	7.18	15.76	33.45	1121.51
42 Chemicals(24)	1570.92	+0.5	1562.62	1552.77	1562.86	1383.59	4.14	0.29	‡‡	55.26	1147.18
43 Conglomerates(11)	1592.95	+0.5	1584.77	1556.07	1559.73	1335.93	4.82	6.56	17.19	46.66	1182.22
44 Transport(16)	3501.84	.....	3500.45	3424.81	3433.64	2616.84	3.38	3.66	35.30	102.06	1315.14
45 Electricity(17)	2358.46	-0.5	2369.54	2294.78	2257.50	1512.95	3.45	10.06	12.28	57.64	1566.87
46 Telephone Networks(4)	2091.13	-0.6	2103.91	2080.55	2082.03	1615.17	3.36	6.00	20.44	36.55	1269.01
47 Water(13)	3984.85	-0.7	4014.37	3922.07	3861.24	3162.63	4.54	10.90	10.14	126.24	1276.54
48 Miscellaneous(32)	2654.85	-0.1	2656.77	2587.88	2593.96	2405.23	4.31	6.73	17.83	85.24	1114.78
49 INDUSTRIAL GROUP(597)	1606.08	..	1605.58	1589.09	1593.10	1374.22	3.58	5.85	20.44	42.79	1156.34
51 Oil & Gas(17)	2737.29	-1.3	2774.07	2782.28	2764.35	2100.74	4.12	5.84	21.42	89.73	1270.67
59 "500" SHARE INDEX(614)	1706.74	-0.1	1708.73	1693.63	1696.24	1443.89	3.62	5.94	20.54	46.61	1167.86
61 FINANCIAL GROUP(91)	1290.45	-0.1	1294.29	1271.73	1261.63	836.26	3.36	3.09	47.29	34.84	1534.82
62 Banks(9)	1868.06	-0.2	1872.54	1828.39	1804.49	1141.19	2.91	3.56	37.87	45.27	1623.62
65 Insurance (Life)(6)	2134.75	-1.0	2156.91	2152.23	2144.04	1725.34	4.31	4.49	28.02	73.50	1261.59
66 Insurance (Composite)(7)	725.30	+1.4	715.28	703.30	705.33	611.97	4.65	‡	‡‡	26.54	1206.41
67 Insurance Brokers(10)	853.69	+0.2	851.86	848.41	848.75	706.06	4.53	4.89	29.82	30.01	1148.60
68 Merchant Banks(6)	853.05	+0.5	848.67	846.70	844.40	463.82	2.76	6.82	18.00	18.79	1749.63
69 Property(30)	1167.14	-0.1	1168.34	1151.99	1148.85	603.85	3.50	3.33	41.09	27.71	1666.30
70 Other Financial(23)	464.90	-0.1	465.44	463.38	461.92	273.54	3.46	5.42	24.27	11.81	1591.82
71 Investment Trusts(110)	1810.67	+0.6	1799.66	1784.71	1785.24	1264.67	2.27	1.82	54.82	31.94	1386.62
99 FT-A ALL-SHARE(815)	1606.20	-0.1	1607.58	1591.07	1590.93	1297.40	3.53	5.33	23.21	43.22	1223.19

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3284.1	3289.4	3286.6	3280.2	3282.5	3280.8	3274.2	3267.0	3273.0	3300.1	3263.6
FT-SE Mid 250	3600.2	3607.5	3604.4	3599.9	3597.4	3597.5	3597.1	3596.5	3595.9	3608.9	3592.7
FT-SE-A 350	1631.9	1634.7	1633.3	1630.4	1631.0	1630.3	1627.6	1624.9	1627.2	1639.0	1623.2

Time of FT-SE 100 High 9.27am Low 3.29pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Construction	2046.8	2063.5	2064.1	2062.5	2063.6	2056.9	2069.4	2068.4	2074.7	2074.7	2035.8	+38.9
Health & H'hold	1095.6	1097.2	1097.6	1096.2	1099.0	1099.1	1096.7	1090.3	1095.0	1095.0	1094.8	+0.2
Water	1674.0	1682.0	1677.5	1667.7	1658.1	1651.4	1651.4	1649.8	1648.4	1646.8	1659.2	-12.4
Banks	2282.8	2290.9	2279.8	2274.8	2285.4	2280.4	2267.1	2265.4	2273.2	2270.6	2276.0	-5.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGES: ADDITION. Pilot Investment Trust 'C' (71).

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	13,000	62	+2½
Abbey National†	7,800	461	+1
Albert Fisher	2,600	94	+1
Allied-Lyons†	2,800	661	-12
Anglian Water†	1,800	566	-5
Argos	1,100	387	-5
Argyll Group†	6,700	261	+2
Arjo Wiggins†	3,700	239	-2
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Ass. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BT (Partly Paid)	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Bowater†	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Calor Group	[illegible]	[illegible]	[illegible]
Caradon†	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Coats Viyella†	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue†	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Eastern Elec.	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Eng China Clays†	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel†	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Forte†	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elec.†	[illegible]	[illegible]	[illegible]
Glaxo†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shares)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons & Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape†	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more shares are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls			Puts		
		Jan	Apr	Jul	Jan	Apr	Jul
Allied-Lyons	600	27½	44½	52½	14½	24	35
(*623)	650	6	21	26½	46	52½	64½
Argos	280	12	21	25	15	18	29½
(*281)	299	6½	13	18½	28	30½	38
ASDA	80	8½	7½	9½	3	5	6
[illegible]							

Option		Calls			Puts		
		Feb	May	Aug	Feb	May	Aug
Lasmo	100	17	20	22½	6	10	12½
(*108)	110	10½	14	17½	10½	15	17
Lucas Inds	180	18½	22	27	7½	11½	14½
(*188)	200	8	13	17	18	22½	25½
[illegible]							

Option							
(*156)	160	14	18	22½	15½	24	28½
Utd Biscuits	330	26	31	35	11	18	23½
(*340)	360	12	15	21½	28	36	43
Option		Dec	Mar	Jun	Dec	Mar	Jun
Fisons	140	6	16	18	4½	12	18
(*141)	160	1½	7½	10½	20½	24½	31½
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	420	35	47	55½	26½	37½	46
(*426)	460	18	30	43	50½	61½	68
BAT Inds	500	46½	56½	66½	9	19	25½
(*533)	550	18½	27	33½	35½	46½	53½
BTR	330	32	36	41½	6	13	16
(*351)	360	12	18	25½	18½	26½	30½
Brit Telecom	460	20½	28	36½	14	18	25½
(*469)	500	5½	12	18	42	42½	49½
Cadbury Sch	460	20½	28	39½	14	18	27
(*476)	500	5½	12	[illegible]	42	43½	51
Eastern Elec	650	27	39½	48½	24½	31	42½
(*652)	700	8½	19½	28½	59	63½	74½
Guinness	460	27	37	43½	16½	26	32½
(*468)	500	9½	18	25	[illegible]	51	56½
[illegible]	300	26	32½	38½	5	8	13½
(*320)	330	8½	15½	28½	17½	23	29
Hanson	260	16	19½	23	6½	11	15
(*270)	280	7	10	14	17½	22	26

Option							
Forte	240	11	22	26	3½	12½	18
(*247)	260	2½	11	16½	16	24	30
Tarmac	155	11½	19	23	2½	8	11
(*164)	174	2½	10½	14	14	18	24
Thorn EMI	1000	18½	49	70	14½	44	53½
(*1002)	1050	5½	27½	47½	53½	74½	84
TSB	240	6½	16	20½	8	14½	18
(*240)	260	1½	6½	11½	21½	30½	30½
Tomkins	220	14	21	26½	2	8½	12
(*230)	240	2½	11½	15½	12	19	22
Vaal Reefs	80	15	–	–	1½	–	–
(*595)	90	8½	–	–	3½	–	–
[illegible]	650	21½	33½	65½	13½	36½	50½
(*657)	700	4½	31	46	48½	65½	78½
Option		Dec	Apr	Jul	Dec	Apr	Jul
Glaxo	650	54½	81½	100	3½	31	42½
(*697)	700	17	54½	74	16½	54	68½
HSBC 75p shs	800	29½	64½	77	9	45½	57½
(*817)	850	7	39½	54	39	74½	85½
Reuters	1750	37½	106	140	26	90½	113
(*1753)	1800	12½	75½	115	56	118	138
Option		Dec	Feb	May	Dec	Feb	May
Rolls-Royce	160	13	19	–	1½	6½	–
(*167)	175	2	8½	–	12½	17	–

* Underlying security price. Premiums shown are based on closing offer prices.
December 9. Total contracts: 53,685 Calls: 36,338 Puts: 17,327

TRADITIONAL OPTIONS

First Dealings	Dec. 6	Last Declarations	March 10
Last Dealings	Dec. 17	For settlement	March 21

3-month call rate indications are shown in Saturday editions.

Calls: All Eng., Allied Irish Bk., Aitken Hume, Bakyrchik Gold, Bisichi Mining, Bluebird Toys, Carlisle Grp., Clyde Pet., Comtec, Ennex Intl., Enterprise Comp., Federated Res., Ferromet, Flextech, ICI, LIG, Marine & Merc., Minmet, Molynx, NSM, P & P, Ramco, Signet. Puts: Aitken Hume, Allied Irish Bk., Enterprise Comp., ICI, Marine & Merc., Molynx, NSM, Signet, Stirling Group. Puts & Calls: Aresco, Clyde Pet., Ossory Est., Reunion Gold.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	3	11
Other Fixed Interest	5	0	11
Commercial, Industrial	339	251	831
Financial	68	31	70
Property	27	17	90
Investment Trusts	268	16	247
Oil & Gas	15	22	44
Mines	85	9	43
Others	64	32	63
Totals	936	381	1,410

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	1993 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	48.2	96½	86	Abtrust Emrg Econ	96½	+1	–	–	–	–
–	F.P.	6.4	54	46	Do Warrants	54		–	–	–	–
100	F.P.	27.9	102	92	Abtrust Lloyds	93		–	–	–	–
–	F.P.	5.3	40	36	Do Warrants	39	+2	–	–	–	–
120	F.P.	206.3	183	176	Alders	181	-1	WN8.1	2.2	4.0	14.2
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–	F.P.	2.3	46	42	Do. Wrts.	44		–	–	–	–
100	F.P.	57.6	97	92	New London Cap	96		–	–	–	–
§78	F.P.	57.1	120	94	§On Demand Info	112		–	–	–	–
230	F.P.	87.2	253	233	Roxboro	249		–	–	–	–
–	F.P.	116.0	213	193	Royal Doulton	211	+1	RN1.9	5.7	1.0	19.6
150	F.P.	78.1	167	159	Ruberoid	162	+3	H8.6	–	3.9	–
135	F.P.	25.3	142	141	Smaller Co's Tst C	141	+1	R5.4	1.9	4.2	16.4
100	F.P.	48.0	96	92	Syndicate Cap.	96	-1	–	–	–	–
–	F.P.	1.9	36	23	Do Warrants	38		–	–	–	–
100	F.P.	61.2	102	102	Throg Prtd Inc	102		–	–	–	–
§190	F.P.	29.9	198	183	Towry Law	198		–	–	–	–
–	F.P.	24.7	111	101	Ugland Intl	103		LN4.8	2.2	2.9	19.3
100	F.P.	19.4	96	93	Wigmore Prop.	96	+1	–	–	–	–
–	F.P.	1.7	42	28	Do Warrants	41	+1	–	–	–	–

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FINANCIAL TIMES EQUITY INDICES

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 3	Yr ago	*High	*Low
Ordinary share	2462.9	2454.4	2420.8	2438.4	2448.6	2064.2	2462.9	2124.7
Ord. div. yield	3.77	3.78	3.81	3.80	3.78	4.48	4.52	3.77
Earn. yld. % full	4.29	4.30	4.34	4.33	4.32	6.15	6.38	4.29
P/E ratio net	29.38	29.31	29.05	29.16	29.20	20.81	29.38	19.40
P/E ratio nil	27.21	27.14	26.90	27.00	27.04	19.16	27.21	18.14
Gold Mines	251.7	235.9	231.1	231.8	231.1	66.4	251.7	60.0

*For 1993. Ordinary share index since compilation: high 2462.9 9/12/93; low 49.4 26/6/40
Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2461.6	2467.0	2469.0	2464.3	2465.2	2466.2	2460.6	2456.6	2463.5	2476.1	2455.1

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 3	Yr ago
SEAQ bargains	40,655	34,389	31,841	34,257	36,508	25,579
Equity turnover (£m)†	-	1722.6	1439.2	1201.1	1834.9	1453.1
Equity bargains†	-	38,420	35,842	38,729	42,993	29,789
Shares traded (ml)†	-	781.2	598.8	561.9	680.1	683.2

† Excluding intra-market business and overseas turnover

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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19⅞	—	20¹⁄₁₆	15⅝	14,833	2.3
Allegheny & W.	♥	468p	—	722p	399p	285.1	4.3
Amdahl		409p	+25	591p	294p	459.3	0.8
Amer Cyanamid		34⅝	+½	39	31¾	3,111	3.4
Amer Express		21⅞	—	25⅝	14⅞	10,288	3.1
Amer T & T		37xd	-⅛	43¼	33⅛	40,880	2.4
Ameritech		51⅛	-⅞	58¾	46	22,858	4.8
Anheuser-Busch		33⅞xd	+⅛	41¼	29⅝	9,374	2.8
BankAmerica		30⅝xd	+½	39¹⁄₁₆	27⅞	10,887	3.0
Bankers NY		62½	+¹⁄₁₆	54¾	42⅝	4,933	4.0
Bell Atlantic		40½	-⅛	44¾	32¼	17,808	4.4
BellSouth		38¼	-⅝	42⅝	32⅞	18,895	4.9
Bethlehem Steel	♥	12⅛	+¹⁄₁₆	13¼	8½	1,091	-
Bowater		1469p	+29	1882p	1183p	630.1	2.7
CPC		31⅛	-⅞	34⅝	26	4,780	2.8
California Engy		1305p	—	1479p	1088p	237.6	-
Chase Manhattan		22⅞	—	24⅞	17⅞	3,581	3.5
Chrysler		35⅞	-⅞	39	21⅛	10,414	1.5
Citicorp		24⅛	-⅛	26	13⅞	8,818	-
Colgate-Palm		40¾	-⅝	45⅞	32	6,606	2.4
Cont'l Bank		1614p	+5	1877p	1278p	1,631	2.5
Dana		36⅞xd	+⅛	38⅞	29⅞	1,667	2.9
Data General		635p	+1	951p	527p	175.2	-
Dexora Inds	♥	79½p	-7½	148p	79½p	-	-
Dun & Brad		42	-½	45⅞	37⅛	7,498	3.9
Exxon		34¼	+1⅛	37⅓	25⅞	2,382	2.3
Echlin		21¾	-⅛	22⅜	15⅞	1,257	2.2
FPL		25⅞	+⅛	27⅝	23¼	4,621	6.5
Ford Motor		42⅞	-⅛	43⅞	28⅞	20,878	2.5
Gen Elect		67⅛	+⅛	67⅛	53⅝	57,253	2.5
General Host	♥	458p	—	723p	456p	-	4.9
Gillette		41⅝xd	-⅛	43⅛	31⅞	9,174	1.3
Hasbro		20⅝	—	20⅞	20⅞	1,819	0.8
Honeywell		22½xd	+⅛	26½	20⅞	4,685	2.9

BUSINESS SERVICES

	Notes	Price	+ or -	1993 high
ADT $		679	-15	675
Adam & Harvey		248	—	248
Air London		81	—	92
African Lakes		44	—	58
Autoted Sec.		127	-6	178
BET		137½	—	139
BNB Res		114	—	115
BPP		235	+3	318
BSM		170	—	178
Barbour Index		240	—	285
Black & Edg.		1¼	—	1½
Boustead		23xd	-1	28
Bridgend		24	+4	27
Brit Data Mangt		217	-3	269
Brit Fittings		80	-1	86
Brooks Service		61	—	73
Business Post		111xd	—	164
CRT		97	—	109
Capita		181	+2	193
Casket		40½	-1½	45½
Chiltern Capital AS		22½	—	55
Christie Group		55	—	55
Chubb Security		359	-3	384
Corp Servs		36	—	37
Coutts Consulting		87	—	91
Dart		142	—	142
Davis Service		214	—	250
EW Fact		123	-1	124
Gardiner		28½	—	32
Hays		253	-3	277
Hogg Robinson		237xd	+3	248
Holmes Protect S		39	—	70
Hutch Whmp HK$	♥	385	+21	385
ISS B DKr		£20½	—	£21¼
Inchcape		528	-2	637
Int Food Machinery		29	—	64

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

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Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT9447. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

PDFM Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Dec 7	879.30	906.56	—	2.80
Do Accum	1098.92	1134.21	—	2.80
Intl Expt Dec 9	272.02	277.57	+4.38	1.67
UK Index Dec 7	1526.72	1554.32	—	3.69
Do Accum	1788.43	1820.45	—	3.69
Convertible Dec 9	122.10	124.28	—	8.32
World ex UK Index Dec 7	1083.77	1073.89	—	1.84
Do Accum	1083.77	1073.89	—	1.84
Japan Index Dec 7	698.82	708.47	—	0.63
Do Accum	704.80	711.40	—	0.63
USA Index Dec 7	1417.52	1425.18	—	2.47
Do Accum	1538.72	1518.45	—	2.47
Europe ex UK Index Dec 7	1233.74	1258.85	—	2.09
Do Accum	1318.23	1337.29	—	2.09
Pacific ex Jap Index Dec 7	1801.44	1848.47	—	2.42
Do Accum	2084.47	2103.89	—	2.42
Managed Exempt Dec 9	153.94	155.97	+1.41	3.64
Do Accum	155.27	157.31	+1.42	3.64
American Exempt Dec 9	185.61	188.72	+0.24	1.86
European Exempt Dec 9	173.70	177.08	+4.50	1.82
Japan Exempt Dec 9	139.89	142.80	-5.63	0.55
Pacific Basin Dec 9	233.47	239.84	+5.84	1.57
Global Bond Ex Dec 9	98.99	99.99	+0.04	4.64
Index-Lkd Gilt Ex Dec 9	101.81	102.62	+0.54	2.19

Rothschild Asset Management

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property		144.64	—	-

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	198.6	201.4	+0.4	0.97

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Scholo PPP Nov 12	408.5	427.9	—	-

· Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Nov 30	131.27	137.09	—	2.88
(Accum Units)	146.65	153.16	—	2.88

INSURANCES

OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Gwth	734.2		—	—
Multi Gwth A Cap	460.6	484.9	—	—
Multi Gwth A Accum	734.2	772.8	—	—
Op Prop	454.0	477.9	—	—
Op Equity	856.9	902.0	-1.2	—
Op High Yld	608.3	640.4	+3.5	—
Op Man	755.9	795.6	+0.8	—
Op Dep	381.0	401.1	—	—
Op Int Dist	229.3	241.4	+1.8	8.377
Op Int Man	455.3	479.3	+2.3	—
Op Emerging Co's	432.8	455.6	-1.2	—
Op Money	106.2	111.8	—	—
European	127.9	134.7	+0.6	—
Pension Funds				
Property Ser B	869.6	915.4	—	—
Equity Ser B	2903.7	3056.6	+28.9	—
Fixed Interest Ser B	1152.1	1212.8	+7.0	—
Managed Ser B	1505.4	1584.7	+12.3	—
Deposit Ser B	815.6	858.6	—	—
Money Ser B	107.3	113.0	—	—
Property Ser D		228.9	—	—
Equity Ser D		201.2	+2.0	—
Fixed Interest Ser D		293.0	+1.8	—
Managed Ser D		187.4	+1.6	—
Deposit Ser D		248.1	—	—
Money Ser D		110.7	—	—
Pension Unit Trust Funds				
Gartmore Global Ser B	274.2	288.7	+1.3	—
Gartmore NA Ser B	170.9	179.9	—	—
Gartmore Pacific Ser B	619.8	652.5	+4.8	—
Henderson Acc Ser B	274.8	289.3	+1.4	—
Perpetual Mng Ser B	311.6	328.0	+1.0	—
Framlington Int Ser B	254.3	267.7	+1.0	—
Gartmore Mngd Ser B	289.6	304.9	+0.8	—
Gartmore Euro Ser B	198.7	208.9	+2.1	—
Gartmore Global Ser D		178.4	+0.9	—
Gartmore NA Ser D		200.5	+0.1	—
Gartmore Pacific Ser D		338.8	+2.8	—
Henderson Acc Ser D		210.3	+1.1	—
Perpetual Mng Ser D		225.6	+0.7	—
Framlington Int Ser D		210.2	+0.8	—
Gartmore Mngd Ser D		246.4	+0.7	—
Gartmore Euro Ser D		193.3	+1.7	—
Baring Funds				
Eastern	425.1	447.5	+7.6	—
European Smllr Cos	198.8	209.3	+1.4	—
Managed	213.0	224.3	+1.2	—
Gartmore Funds				
British	384.0	404.3	+3.9	—
European	244.4	257.3	+1.7	—
Frontier Markets	210.7	221.8	+2.0	—

Scottish Provident Group - Contd.

Scottish Provident Assurance Ltd Funds (Formerly Prolific Life & Pensions Ltd)

Royal Life Insurance

Royal Liver Assurance

S - E - Scripta Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Pioneer Funds

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Century Life International Ltd - Contd.

Eagle Star Intl Life

Equitable Life (Isle of Man)

Eurolife Assurance Group

Friends Provident International

Isle of Man Assurance Ltd

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Royal Life International

Scottish Provident Intl Life Assr Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Tercera

Foster & Braithwaite Ltd

Manchester Financial Services (Pty) Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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JERSEY (REGULATED)(**)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark slightly weaker

The D-Mark weakened slightly against some of the currencies in Europe's exchange-rate mechanism, with the French franc and Danish krone hitting new highs since the ERM's revamp last summer, *writes Conner Middelmann.*

The D-Mark has been easing on expectations of more German interest rate cuts, as well as unwinding of long D-Mark positions against short positions in other ERM currencies. "Most of the price action has been driven by position adjustments rather than by real fund flows," said Mr Mark Austin, treasury strategist at Midland Global Markets.

Germany's call money rate eased again amid ample money market liquidity, slipping to around 6 per cent, from some 6.07 per cent on Wednesday. The three-month Euromark future edged up 0.01 point to 93.81.

The downward revision of western Germany's November inflation rate had little impact, although traders said it added to the D-Mark's softer tone. Month-on-month inflation was 0.2 per cent, with the year-on-year rate at 3.6 per cent. That was below the 0.3 per cent and 3.7 per cent preliminary rates initially published.

● Denmark's stocks, bonds and currency were buoyed by comments by Mr Erik Hoffmeyer, the governor of the Danish central bank. In an interview with the Danish financial daily Boersen, he said that he saw the present strength of the krone as paving the way for more rate cuts.

He was also reported as saying that the central bank would test the market with a series of gradual, small rate cuts, allowing Denmark to eventually lower its rates to the German level.

The Danish central bank has cut money market rates six times in the last 11 weeks.

The Danish krone rose to its highest level since the ERM shake-up on August 2. After hitting an intra-day high of DKr3.9040 against the D-Mark, it ended at DKr3.918, barely changed from DKr3.915 on Wednesday.

Danish Krone

Against the DM (DKr per DM)

Source: Datastream

■ Pound in New York

Dec 9	Latest	Prev. close
Spot	1.4965	1.4945
1 mth	1.4937	1.4919
3 mth	1.4892	1.4876
1 yr	1.4782	1.4765

● The Dutch guilder hit a five-year high against the D-Mark on the back of heavy foreign buying at this week's government bond tap issue, which raised Fl11bn in three days.

The guilder peaked at Fl111.87 per DM100 and closed at Fl111.90, unchanged from Wednesday.

The currency's strength had some dealers calling for another cut in the Dutch special advances rate at the next open-market operation on Tuesday. Some traders expect to see a small rate cut on that day, while others said the Dutch central bank could set a two-day pact expiring on Thursday to coincide with the next meeting of the Bundesbank's central bank council.

● The French franc continued strengthening against the D-Mark, breaching technical resistance at FFr3.4230 and approaching the key FFr3.4180 level. After reaching a high of FFr3.4193, it shed some of its gains in the afternoon and ended little changed at FFr3.427, after FFr3.424 on Wednesday.

Subduing the franc in the afternoon were reports that the Bank of France was selling francs against the D-Mark and the dollar in a continued effort to shore up its foreign currency reserves, which were sharply depleted during last summer's currency crisis.

Its latest statement for the week ending December 2 indicated that French net currency reserves rose by FFr1.8bn, putting reserves some FFr11.02bn in the black. "That was rather less than we were hoping for," said Chris Furness, a currency analyst at market analysis firm IDEA.

Most traders do not expect the franc's recent appreciation to trigger more aggressive easing by the Bank of France. This was reflected by the March Pibor futures contract, which fell 0.01 point to 93.50.

● The pound ended a slow session unchanged at DM2.5500 against the D-Mark.

Money market conditions remained on the tight side, and traders said the Bank of England's market operations indicated a desire to quell market speculation of near-term rate cuts.

"They're putting a small brake on by keeping liquidity tight - I'm getting the impression they don't want the market to roar ahead," said one money trader. However, he does not expect any strong signals from the Bank ahead of Wednesday's data on retail price inflation and Thursday's Bundesbank meeting. The December short sterling contract eased 0.02 point to 94.67.

The Bank announced a shortage of £1.95bn which was later revised to £1.9bn. In an early round, it purchased £110m of bills outright and £592m for resale to the market at a later date. In further operations, it purchased a total of £655m and provided late assistance of around £550m.

● The US dollar edged slightly higher to end at DM1.7055 against the D-Mark, up from DM1.7050 at Wednesday's close. Against the yen, the dollar closed at Y108.65, compared with Y108.60 a day earlier.

US producer price data had little overall impact on the currency. While the headline rate was unchanged on the month, the core rate was up 0.4 per cent, slightly above expectations but not enough to fuel speculation that the Federal reserve would start tightening soon. Traders will be looking to today's CPI numbers for a clearer picture on US inflation.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 9 / Sch)

BELGIUM/LUXEMBOURG (Dec 9 / Frs.)

DENMARK (Dec 9 / Kr)

FINLAND (Dec 9 / Mks)

FRANCE (Dec 9 / Frs.)

GERMANY (Dec 9 / Dm.)

ITALY (Dec 9 / Lire)

NETHERLANDS (Dec 9 / Fls.)

NORWAY (Dec 9 / Kroner)

SPAIN (Dec 9 / Pts.)

SWEDEN (Dec 9 / Kronor)

SWITZERLAND (Dec 9 / Frs.)

PACIFIC

JAPAN (Dec 9 / Yen)

AUSTRALIA (Dec 9 / Aust.$)

HONG KONG (Dec 9 / H.K.$)

MALAYSIA (Dec 9 / MYR)

SINGAPORE (Dec 9 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 9 / Can $)
4 pm close

MONTREAL (Dec 9 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Dec 9 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Thursday, December 9, 199

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.9m	308	+12	Japan Metal & Chem	2.3m	580	+38
Keisei Elec Rlwy	3.9m	810	+22	NKK Corp	2.3m	235	+7
Suzuki Motor	2.8m	682	+23	Toshiba Corp	2.3m	688	+27
Hitachi	2.8m	785	+17	NEC Corp	2.1m	850	+28
Sumitomo Elec	2.8m	1,270	+30	Fuji Bank	1.9m	1,900	+60

INDICES

	Dec 9	Dec 8	Dec 7	1993 High		1993 Low	
Argentina							
General (29/12/77)	(c)	(c)	17890.1	18087.50	22/10	12187.80	8/3
Australia							
All Ordinaries(1/1/80)	2095.7	2096.0	2073.9	2132.40	1/11	1495.00	13/1
All Mining(1/1/80)	951.4	931.5	918.8	951.40	9/12	594.70	13/1
Austria							
Credit Aktien(30/12/84)	422.73	(c)	419.46	424.58	2/11	300.28	14/1
Traded Index(2/1/91)	1095.62	(c)	1088.72	1095.62	9/12	[illegible]	15/1
Belgium							
BEL20 (1/1/91)	1433.50	1433.77	1430.45	1498.42	8/12	1125.46	4/1
Brazil							
Bovespa (29/12/83)	(c)	29118.0	29299.0	37300.00	29/9	714.72	4/1
Canada							
Metals Minls♦(1975)	(c)	3515.57	3434.12	3515.57	8/12	2743.31	21/1
Composite♦ (1975)	(c)	4307.70	4265.50	4307.70	8/12	3275.80	21/1
Portfolio§§ (4/1/83)	(c)	2059.53	2039.50	2059.53	8/12	1720.97	21/1
Chile							
IPSA Gen (31/12/80)	(c)	(c)	3378.5	3382.87	29/11	2812.88	10/5
Denmark							
CopenhagenSE(3/1/83)	353.18	350.34	349.70	359.14	4/11	261.80	4/1
Finland							
HEX General(28/12/90)	1598.9	1597.5	1559.7	1607.70	3/11	848.10	22/1
France							
CAC General(31/12/81)	-	-	607.52	608.73	28/10	471.24	13/1
CAC 40(31/12/87)	2211.40	2205.31	2178.12	2231.86	22/10	1772.21	22/1
Germany							
FAZ Aktien(31/12/58)	827.94	823.23	815.07	827.94	9/12	598.92	14/1
Commerzbank(1/12/53)	2372.4	2357.5	2331.3	2372.40	9/12	1694.30	14/1
DAX (30/12/87)	2175.80	2148.13	2115.45	2175.80	9/12	1516.50	13/1
Greece							
Athens SE(31/12/80)	907.92	911.54	908.18	944.44	13/8	667.72	6/1
Hong Kong							
Hang Seng(31/7/64)	9930.26	9730.23	9736.57	9930.26	9/12	5437.80	4/1
India							
BSE Sens.(1979)	3328.5	3310.2	3223.9	3328.50	9/12	2100.67	23/4
Indonesia							
Jakarta Comp.(10/8/82)	525.32	523.32	523.41	536.46	22/11	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	1814.37	1807.42	1811.74	1849.27	3/11	1191.19	11/1
Italy							
Banca Comm Ital (1972)	584.27	(c)	573.46	632.86	30/8	446.33	6/1
MIB General (4/1/83)	1284.0	(c)	1260.0	1360.00	30/8	982.00	11/1
Japan							
Nikkei 225 (16/5/49)	17061.91	16507.55	16903.49	21148.11	13/9	16078.71	29/11
Nikkei 300 (1/10/82)	257.18	259.21	264.25	308.84	10/11	249.64	29/11
Topix (4/1/68)	1437.74	1396.54	1420.61	1698.67	3/9	1250.06	25/1
2nd Section (4/1/68)	1853.39	1838.04	1853.85	2304.97	7/6	1651.72	26/1
Malaysia							
KLSE Comp.(4/4/86)	1057.34	1060.79	1063.25	1067.34	9/12	614.28	13/1
Mexico							
IPC (Nov 1978)	(c)	2433.27	2384.08	2433.27	9/12	1604.15	25/2
Netherland							
CBS TtlRtnGen(End 83)	417.8	420.8	417.8	420.80	8/12	295.70	4/1
CBS All Shr (End 83)	270.7	272.7	270.8	272.70	8/12	198.82	13/1
New Zealand							
Cap. 40 (1/7/86)	2108.83	2087.28	2087.87	2283.89	2/11	1485.27	21/1
Norway							
Oslo SE(ind)(2/1/83)	1000.86	983.77	978.80	1039.73	18/11	600.83	27/1
Philippines							
Manila Comp (2/1/85)	2510.82	2518.82	2508.00	2518.82	8/12	1370.88	4/1
Portugal							
BTA (1977)	2549.8	(c)	2555.4	2880.00	9/9	1905.30	14/1
Singapore							
SES All-S'pore(3/4/75)	578.09	569.81	569.57	578.09	9/12	394.10	13/1
South Africa							
JSE Gold (28/9/78)	2084.0♥	1990.0	1902.0	2098.00	30/7	775.90	5/1
JSE Indl. (28/9/78)	5072.0♥	5025.0	4970.0	5072.00	9/12	4233.00	19/4
South Korea							
KoreaCompEx(4/1/80)**	843.98	838.71	823.17	846.47	20/11	605.93	8/3
Spain							
Madrid SE (30/12/85)	308.09	(c)	304.92	310.26	22/10	235.80	4/1
Sweden							
AffarsvarldsGen (1/2/37)	1360.4	1359.2	1355.8	1425.10	4/11	878.10	28/1
Switzerland							
Swiss Bk Ind (31/12/58)	1244.94	1237.38	1233.48	1244.94	9/12	804.80	11/1
SBC General (1/4/87)	975.01	970.62	957.89	975.01	9/12	678.70	11/1
Taiwan							
WeightedPr.(30/6/66)**	4880.26	4892.11	4883.60	5013.28	7/4	3098.43	8/1
Thailand							
Bangkok SET (30/4/75)	1480.63	1438.82	1442.56	1480.63	9/12	818.64	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	17826.7	17935.6	17382.0	18977.10	30/11	3585.53	1/1
WORLD							
MS Capital Int (1/1/70)§	592.3*	587.7	589.2	607.10	15/10	498.60	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1416.66	1416.22	1399.50	1416.66	9/12	1063.02	13/1
Euro Top-100 (26/6/90)	1189.00	1186.25	1177.42	1189.00	9/12	882.73	13/1
JCapelDrgns (31/12/88)	(u)	323.04	322.68	323.04	9/12	189.92	4/1
Barings Emerg.(7/1/92)	151.89	150.85	151.23	151.89	9/12	99.91	4/2

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2235.0	2224.0	+4.0	2238.0	2214.0	16,304	49,141
Jan	2246.5	2236.5	+4.0	2249.0	2228.5	1,015	5,061
Feb	2258.5	2247.5	+4.0	2258.5	2258.5	1	150
Mar	2267.0	2259.0	+4.0	2268.0	2255.0	673	13,470

Open interest figures for previous day.

** Sat Nov 27: Taiwan Weighted Price; Korea Comp Ex. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ♥ Subject to official recalculation.

US INDICES

Dow Jones	Dec 8	Dec 7	Dec 6	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3734.53	3718.88	3710.21	3734.53 (8/12)	3241.95 (20/1)	3734.53 (8/12/93)	41.22 (2/7/32)
Home Bonds	110.88	110.84	110.81	110.88 (8/12)	103.49 (11/1)	110.88 (8/12/93)	54.99 (1/10/81)
Transport	1767.49	1758.70	1756.35	1770.67 (2/12)	1453.84 (4/1)	1770.67 (2/12/93)	12.32 (8/7/32)
Utilities	226.14	227.62	226.61	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3756.50 (3746.82) Low 3693.73 (3689.38) (Theoretical)♣
Day's high 3734.81 (3723.63) Low 3716.09 (3709.38) (Actual)♣

Standard and Poors	Dec 8	Dec 7	Dec 6	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	466.29	466.76	466.43	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials¶	535.82	538.91	539.25	540.25 (16/11)	496.48 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	44.88	44.64	44.60	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	257.37	257.98	257.96	260.48 (15/10)	235.21 (8/1)	260.48 (15/10/93)	4.46 (28/4/42)
Amex Mkt Val	486.87	476.40	485.82	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Comp	767.99	769.35	771.09	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

RATIOS

	Dec 3	Nov 26	Nov 19	Year ago
Dow Jones Ind. Div. Yield	2.70	2.71	2.71	3.13
	Dec 8	Dec 1	Nov 24	Year ago
S & P Ind. Div. yield	2.39	2.41	2.40	2.65
S & P Ind. P/E ratio	27.41	27.08	27.14	27.71

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	465.95	465.85	-0.05	466.45	465.50	52,367	126,363
Mar	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Pac G E	20,329,300	34¾	-⅛
Vodafone	13,381,800	85⅝	+1⅝
Telefonos	5,360,800	61⅛	+1⅛
Host Marriott	3,793,700	10	+⅜
Amer Barrick	3,042,600	28¼	+1⅛
Conti Air B	2,842,700	20⅝	-1¼
Gen Motors	2,783,500	55⅝	+⅝
Limited	2,771,200	18	+⅛
Cyprus Amax	2,744,300	24⅛	+½
Philip Morris	2,739,400	56	-⅛

TRADING ACTIVITY

Volume (million)	Dec 8	Dec 7	Dec 6
New York SE	304.256	270.981	287.414
Amex	20.396	15.760	16.238
NASDAQ	293.436	288.838	292.880
NYSE			
Issues Traded	2,691	2,688	2,693
Rises	1,048	1,046	1,219
Falls	992	985	848
Unchanged	651	653	626
New Highs	90	82	102
New Lows	22	27	27

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

4 pm close December 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14⅝	11½	AAR	0.48	3.4	12	99	14⅜	14	14¼	+⅛
29⅞	12¾	A L Labs A	0.18	1.4	30	180	13½	13⅛	13⅛	-⅛
67¼	54⅝	AMP	1.60	2.7	21	3631	61	60¾	60	-1
72¼	55½	AMR			53	2194	68⅞	68⅛	68⅛	-⅛
3⅞	1¾	ARX			13	87	3½	3⅜	3⅜	-⅛
51½	29⅞	ASA	2.00	4.0	32	880	49¾	48⅝	49½	-⅛
30¾	22⅝	AbbtL	0.68	2.3	17	11135	29¾	29⅛	29¼	-½
12⅝	8¼	Abitibi Pr	0.50	4.4	7	32	11⅜	11⅛	11⅛	
15⅝	8¼	Acptncpln			20	210	12⅜	12¼	12¼	
35	25½	ACE Ltd	0.40	1.3	5	1280	30¼	29¾	29⅞	-⅞
12¼	10¾	ACM Gvt In x	1.08	9.2		500	11⅞	11¾	11⅞	
10⅛	9⅛	ACM GvOpp x	1.59	16.4		113	9⅞	9½	9¾	+⅛
10¼	8¾	ACM Gvt Sp x	0.88	8.3		377	u10⅝	10⅛	10⅝	+¼
12	10½	ACM Gvt Sc x	1.08	9.3		369	11⅞	11¾	11¾	
12¼	9⅝	ACM Man x	2.56	23.3		232	11	10⅞	11	+⅛
9½	8⅝	ACM Mamgd x	0.72	8.0		49	9⅛	9	9	-⅛
12⅝	7¾	AcmeClv	0.44	4.6	12	74	9⅞	9¾	9⅝	+⅛
11⅜	8½	Acme Elect			39	81	9	8¾	8¾	-⅛
27⅝	18⅜	Acordia	0.44	1.9	13	39	23⅝	23¼	23¼	-¼
16	10⅜	Acuson			58	210	12¾	12½	12½	-⅛
21¾	17¾	Adams Expr	0.52	2.9	0	79	18⅛	18	18⅛	
66¼	45½	Ad Micro	3.00	6.4		132	47¼	46¾	47	-½
32¾	17½	AdvMc	3.00	17.1	6	7936	18⅛	d17½	17½	-⅝
8⅛	5½	Advest Grp	0.16	2.4	11	93	6⅝	6⅝	6⅝	
24¾	14¼	Advo Inc	0.08	0.5	79	740	16¾	16⅝	16¾	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

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- C -

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- K -

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- L -

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- M -

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- N -

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- O -

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- P - Q -

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- R -

[illegible]

- S -

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Continued on next page

4 pm close December 9

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 9

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	17	57	11¾	11¾	11¾	
ACC Corp	0.12	55	790	19	18	18¼	-¾
Acclaim E		37	8512	24	23¼	23½	-¼
Acme Mtls		31	309	18¾	17¾	18⅜	-⅛
Acxiom Cp		35	38	22½	22	22½	
Adaptech		17	3680	34⅞	33¼	34	-1
ADC Tele		32	2200	38	35½	36¼	-1½
AddingtonRes		108	384	u19	18¼	18½	+¼
Adia Serv	0.16	15	5	23	23	23	
Adobe Sys	0.20	30	8491	23	21¾	21¾	-1
Advance C		10	1018	13¾	13	13	-½
Adv Logic		3	445	3⅝	3⅜	3½	
Adv Polym		7	234	5⅞	5⅝	5⅜	-¼
AdvTchLab		49	185	17¼	16¾	16¾	-½
Advanta	0.20	30	1652	38¼	36¾	37	-1¼
Affymax		13	404	17½	16¾	17	-¼
Agency Re		19	2523	u11⅞	11	11½	-⅛
AgnicoEa	0.10	158	1609	14¾	14⅜	14½	-⅜
Akzo ADR	0.78	17	216	48⅝	48⅜	48½	
Aldus Cp		45	1101	25	23½	23⅝	-1⅛
AlexBld	0.88	17	540	25¼	24¼	24½	-¼
Allegh SW		15	87	7	6¾	6¾	-¼
Allen Org	0.48	12	5	30	30	30	-1⅞
Allian Ph		5	307	9	8½	9	+⅝
AlltCapII	1.00	12	639	14½	d13¼	13½	-½
Alld Cap	0.80	11	788	13	12⅝	13	+⅛
Alnette C	0.32525		14	5¼	5¼	5¼	+½
Alta Gold	0.06	3	958	1⅞	1⅞	1⅞	+⅛

AMEX COMPOSITE PRICES

4 pm close December 9

AMERICA

Producer price figures fail to dampen Dow

Wall Street

Following the bond market's lead, US blue-chip stocks accelerated yesterday morning after initial disappointment over November producer price data gave way to underlying optimism on the economy, *writes Frank McGurty in New York.*

The rally was narrowly based, however, and most market indices showed slight declines.

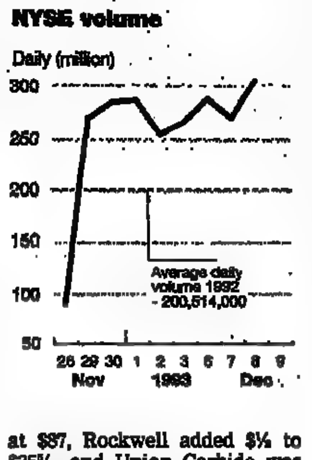
At 1 pm, the Dow Jones Industrial Average was 10.06 higher at 3,744.59, pushing into record territory for the third consecutive day. But the Standard & Poor's 500, which is a better measure of the wider market, eased 0.32 to 465.97. The American SE composite dipped 0.01 to 457.96, while technology issues again hurt the Nasdaq, down 3.52 at 764.37.

The tone in equities was guided by the US Treasury market, which reacted with initial disappointment when the labor department announced that core producer prices – excluding the more volatile energy and food components – had increased by 0.4 per cent last month. While the figure suggested that inflationary pressures were still modest, bonds fell on the unfulfilled expectation of a 0.2 per cent rise.

However, once traders realised that a 2.1 per cent advance in car prices was mostly responsible for the headline figure, the market retraced ground and equities followed suit. By midday, the benchmark 30-year government bond had climbed $\frac{9}{32}$ to $100\frac{9}{32}$, to yield 6.132 per cent.

For a second straight day, Wall Street's advance was powered by the strength of cyclical stocks, which are most sensitive to broad economic trends.

Caterpillar, the heavy-equipment manufacturer, gained $2 at $87, Rockwell added $⅛ to $35⅝, and Union Carbide was $½ higher at $21⅜.



Alcoa had another good day, up $⅞ at $73⅜. General Tire kicked in with a $⅝ gain to $46⅝.

The big three car makers were positioned near the top of the NYSE's most active list. General Motors was $⅞ higher at $56, Ford added $⅝ to $63⅞, and Chrysler was up $⅛ at $53⅛.

Defence-related and aerospace issues were mostly higher. Boeing picked up $¾ to $39⅞, Allied Signal put on $⅝ to $76¼, and General Electric climbed $1 to $101⅝.

As a Delaware appeals court panel heard testimony over the proposed takeover of Paramount Communications, the company's stock moved up $2 to $81¼. Viacom, thwarted by a lower court in its friendly merger bid, gained $1⅜ to $50⅞, and its B shares added $1¼ to $45⅝. QVC, the unfriendly suitor, lost $1¼ to $43⅝.

The embattled semiconductor sector suffered a further blow after a trade group issued a disappointing report on orders. Motorola shed $1⅝ to $92¼, Texas Instruments fell $1⅛ to $62⅞, but National Semiconductor was unchanged at $14⅝.

The damage spilled over into Nasdaq technology issues, with Microsoft off $2½ at $81 and Apple down $⅛ at $31⅝. Dataware Technologies plunged $7 to $9 on a poor fourth-quarter earnings outlook.

Canada

Toronto slipped back by mid-session as investors took profits and the TSE-300 composite index was off 6.34 at 4,301.33 in turnover of 31.1m shares valued at C$385m. Declining stocks outpaced advances 358 to 293, with 323 issues steady.

Bank Of Montreal was up C$⅛ at C$26⅝.

Peruvian equities enter a new period of maturity

Sally Bowen finds that trading has calmed down

Lima's small but turbulent stock market looks set for a period of calmer trading patterns. Investors can expect less spectacular gains than hitherto, but their Peruvian holdings should cause them fewer sleepless nights.

The Lima bourse – the second most profitable in the world in 1992 with a dollar gain of 125 per cent, according to IFC data – is showing signs of greater maturity. For example, a new law requires purchase orders to be handled in strict rotation, while regulations outlawing insider trading and introducing consolidated balance sheets, both in the pipeline, are further indications that the equity market is coming of age.

Expansion since the introduction of liberal economic reform in 1991 has maintained a dizzying pace. Daily turnover now regularly reaches $10m, against $300,000 just two years ago, and this year's total has already topped $1.5bn, up from $550m in 1992.

Until 1993, some eight major shares accounted for 80 per cent of all trading, whereas now that same percentage includes more than three dozen issues. Foreign investors are still responsible for two-thirds of daily trading but, say local brokers, the more speculative investors are moving on elsewhere and there is less volatility.

Lima's general share index has put on an impressive 70 per cent in the year so far, even though 22 per cent was knocked off values last month. Some analysts attribute the November slide to an unenthusiastic "yes" vote in October's referendum on the constitution. Others say that it was a predictable adjustment to overvaluation.

Spectacular price rises in the past few years "have been entirely due to a revaluation of assets", says Mr Federico Laffan, Peruvian fund manager of Foreign and Colonial Emerging Markets. Blue chips were "so ridiculously cheap you just had to put money in – even though reliable information on companies was non-existent", he adds.

Distortions originating from the hyper-inflation of the late 1980s has meant that standard indicators are all but useless to measure the real worth of Peruvian shares, and foreign fund managers have had to resort to makeshift indicators such as market capitalisation and sales.

The Lima bourse is showing signs of maturity and daily turnover now regularly reaches $10m, against $300,000 just two years ago. This year's total has already topped $1.5bn.

"If you saw a company with sales of $100m and market capitalisation of $10m, then the share was extremely cheap," remarks Mr Laffan. "Now the markets have emerged from that initial revaluation phase. Even with November's price correction the blue chips look expensive and the earnings tendency is uncertain."

Foreign and Colonial's Peru Fund has done well, however, showing 25 per cent appreciation since it got fully under way in late June. This year's profits have come largely from riskier "second tier" stocks subject to a revaluation similar to that which the blue chips experienced last year.

Selected second liners – often companies bought by foreign investors – have risen by up to 900 per cent this year.

But such bargains are no longer to be found and future price rises, say brokers, will be more rational and orderly.

"Peru is coming out of recession and once sales pick up and companies are working nearer full capacity, price/earnings ratios will look attractive again," says Mr Jose Almenara, general manager of the stock exchange.

According to Mr Jose Picasso of Argos, a Lima stockbroking firm, buyers in 1994 will be "much more selective, looking closely at who is managing a company and how well prepared it is for the changed economic environment". Mr Picasso predicts that next year's growth will be in consumption oriented companies and mining, a long depressed sector where foreign capital is entering strongly.

Most analysts agree that consolidated balance sheets will be a key step in the transformation to modernity. At the moment companies do not disclose the extent of their holdings in other activities.

"If that law comes through," says Mr Laffan, "I would turn from my currently neutral position into a raging bull."

EUROPE

Frankfurt gains despite profit-taking

Bourses added to recent gains, *writes Our Markets Staff.*

FRANKFURT paused to draw breath with the DAX index closing the official session 27.67, or 1.3 per cent higher at a new closing high of 2,175.80; but this incorporated an Ibis-indicated rise to 2,165.95 at Wednesday's post-bourse close, and followed a further gain to around 2,181 in the pre-bourse yesterday. It was followed, furthermore, by a fall to 2,162.90 yesterday afternoon.

Turnover rose from DM10.4bn to DM11.8bn. Mr Werner Kähs at Bak Julius Bär in Frankfurt said that after the pre-bourse surge, profit-taking came in from London and kept gains among most senior blue chips within bounds. The best rises, he said, came among second line blue chip stocks.

In banks, Berliner put on DM16 to DM462 on the official session, and Bayernverien DM10.50 to DM579. One of the biggest gains in the second-string blue chip category came in Schering, recovering from a flat day on Tuesday, and reflecting a dividend increase from DM13 to DM14.22 which, for German shareholders, would offset a reduced tax credit on dividend income. The shares rose DM39 to DM1,124.

Volkswagen fell from a pre-bourse DM429 to a post-bourse DM423.50 after the carmaker said that it would post a 1993 group loss of DM2.3bn, following a DM2bn loss forecast late in November.

ZURICH remained in record territory with liquidity continuing to be attracted by the outlook for interest rates, although an element of caution was noted ahead of Sunday's Russian election and the outcome of the Gatt talks.

The SMI index rose 14.6 to 2,858.4, with the market also awaiting today's statement from the Swiss National Bank on the monetary outlook for 1994.

Ascom, the troubled telecommunications company, surged SFr85 or 7.8 per cent to SFr1,170 as reports emerged that Mr Leonardo Vanotti, the chief executive, was about to be replaced.

Sandoz bearers rose another SFr40 to SFr3,930, profiting from planned and realised options issues, together with this week's positive corporate announcements. Sulzer certificates added SFr18 to SFr792 on rumours of a forthcoming strong buy recommendation.

A SFr100 rise to SFr3,950 by Electrowatt was attributed to positive press comment.

MILAN was heartened by the success of the Credito Italiano privatisation and the Comit index rose 10.81 or 1.9 per cent to 584.27.

Credito added L77 or 3.3 per cent to L2,435: the public offer of 840m shares was six times subscribed and closed two days early. BCI rose L269 or 5.7 per cent to L4,990 as the government pressed for its privatisation to be brought forward to February from April.

CIR added L100 or 6.8 per cent to L1,575 in response to AT&T's sale of its remaining 10.1 per cent stake.

AMSTERDAM advanced into record territory during the session before a dull opening on Wall Street made investors more cautious. The CBS Tendency index ended off 0.4 at 140.4, having edged forward to 141.7. Royal Dutch was a big influence on the broad market, dipping Fl 4.70 to Fl 196.00 as the pice of crude continued to soften. Hoogovens added 10 cents to Fl 44.70 after announcing that unions had agreed a pay freeze for 1994/1995.

PARIS inched forward with the CAC-40 index closing 6.09 ahead at 2,211.40. Turnover was FFr4.8bn.

Trading in Rhône-Poulenc was halted briefly late in the session owing to extremely high volume in the stock. The shares closed 60 centimes higher at FFr150.1 with some 1.7m shares changing hands.

Euro Disney came back into the news on reports that US hotel chains were to build accommodation near the resort, undercutting prices there. The shares dipped FFr2.15 to FFr34.80.

STOCKHOLM noted another decline in Ericsson B shares, which closed off SKr25 at SKr331. The Affärsvärlden general index ended up 1.2 at 1,360.4.

Turnover was SKr2.5bn.

MADRID improved higher following its closure for public holidays earlier this week. The general index put on 3.17 to 308.09 in turnover of Pta30bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

FT-SE Actuaries Share Indices

Dec 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1422.74	1421.83	1421.50	1424.34	1423.66	1423.08	1418.47	1416.68
FT-SE Eurotrack 200	1489.82	1466.98	1467.72	1490.76	1468.85	1488.34	1484.13	1482.79

	Dec. 8	Dec. 7	Dec. 6	Dec. 3	Dec. 2
FT-SE Eurotrack 100	1416.22	1399.50	1397.37	1387.12	1374.18
FT-SE Eurotrack 200	1483.16	1467.49	1469.43	1464.15	1456.67

Base value 1000 (26/10/90); High/day: 100 - 1425.03; 200 - 1491.42 Low/day: 100 - 1418.54 200 - 1482.79.

ASIA PACIFIC

Nikkei jumps 3.4 per cent in a strong region

Tokyo

The Nikkei average jumped 3.4 per cent, rising above the 17,000 level for the first time in four trading days following comments by the governor of the Bank of Japan, *writes Emiko Terazono in Tokyo.*

Mr Yasushi Mieno, the governor, said that further falls in the stock market would dampen business sentiment and have an adverse impact on the economy.

The 225-issue index, which had fallen by 2.3 per cent on Wednesday, rebounded 553.96 to 17,061.91. The Topix index of all first section stocks rose 41.20, or 3 per cent, to 1,437.74. In London the ISE/Nikkei 50 index put on 2.54 at 1,174.58.

The governor's comments sparked a late afternoon rally, pushing the Nikkei up to a day's high of 17,089.01 just before the close, having opened at a low of 16,545.15.

Activity was also supported by index-linked buying prompted by Mr Morihiro Hosokawa, the prime minister, pledging on Wednesday that he would do whatever possible to ensure a market recovery.

Volume was 232m shares, against Wednesday's 286m, while rises overwhelmed *declines by 1,015 to 65.*

Investors were also encouraged by the passage of the supplementary budget through the lower house and reports that some leaders of the coalition were calling for the establishment of a public entity to buy land held by banks.

Nippon Telegraph and Telephone rose Y35,000 to Y720,000 and East Japan Railway gained Y10,000 at Y423,000.

Index-linked buying supported banks, Industrial Bank of Japan adding Y60 at Y2,840 and Fuji Bank Y80 at Y1,900.

Construction companies, which have been battered by the recent spate of bribery scandals, were bought by institutional investors, who believe that most of the bad news is now in the market. Taisei moved ahead Y17 to Y640, Obayashi Y14 to Y595 and Shimizu Y20 to Y770.

In Osaka, the OSE average rose 575.14 to 18,909.35 in volume of 27.8m shares.

Roundup

The region saw strong performances yesterday.

HONG KONG surged 2.5 per cent to a record high, powered by hefty gains in index futures on the back of strong US demand. The Hang Seng index added 240.03 at 9,990.26, surpassing the previous intraday high of 9,937.36 set on December 7 and Wednesday's closing record of 9,750.23. Turnover came to HK$9.31bn.

In subsequent London trading, the indicative index rose a further 126 to 10,117.

December futures contracts touched a high of 10,215 before closing at 10,190, a 200-point premium to the local market, having ended at a 60-point discount the previous day.

Mr Michael Franklin of James Capel commented that the market had become increasingly technical, with futures trading reflecting options hedging. He added that a convincing break through 10,000 on the Hang Seng today could open the way for a rise to the 12,000 level although, because of the technical nature of trading, the market could also fall back very quickly.

SINGAPORE followed Hong Kong's lead, climbing to a new closing peak amid strong demand for banking and infrastructure stocks. The Straits Times Industrial index put on 7.11 at 2,166.32.

BANGKOK forged ahead 3 per cent to a record high, with the SET index rising 43.71 to 1,480.63 in Bt25.92bn turnover.

Finance and securities issues have been favoured on the expectation that the increased daily turnover in the stock market would raise these firms' profits, while the property sector has found support from lower interest rates.

JAKARTA edged higher in moderate late trading and the official index added 2.0 at 525.32. Strong demand which took Indah Kiat Rp175 higher to Rp2,250 surprised some analysts following the company's recent lower than expected third-quarter earnings.

KUALA LUMPUR saw demand for speculative and laggard stocks, while a rebound in Telekom Malaysia helped to lift the composite index 6.55 to a closing 1,067.34. Telekom finished 50 cents ahead at M$19.90.

SEOUL saw a continuation of Wednesday's strong performance as turnover soared to record levels. The composite index ended 7.24 up at 843.95 after a day's high of 855.30. Turnover came to Won1,430bn.

KARACHI was pulled higher by active foreign interest in major issues. The KSE 100 index rose 14.87 to 1,868.31.

MANILA eased in spite of a solid rise in the mining sector, which advanced after the price of gold firmed in New York overnight. The composite index slipped 8.30 to 2,510.62, as the mining sub-index soared 375.61 to 5,250.16. Turnover dipped to 697m pesos from Wednesday's 762m pesos.

AUSTRALIA also declined slightly as profit-taking in the industrial sector was balanced by a surge in resource stocks. The All Ordinaries index lost just 0.3 to 2,095.7, after hitting a high in early trading of 2,107.2.

Sentiment was dampened by News Corporation, which retreated 62 cents to A$10.28 after the company withdrew its plan to issue shares with "super voting rights".

SOUTH AFRICA

The market heavyweights, De Beers and Anglos, led the pack again, adding R3 at R96.50 and R15.50, or 8.8 per cent, at R193. Golds gained 75, or 3.7 per cent, at 2,064 and industrials rose 47 to 5,072, pushing the overall index up 101 to a new closing high of 4,491.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 8 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 7 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	159.75	+1.7	158.42	109.66	141.81	157.00	+0.8	3.26	157.10	156.11	106.85	139.30	156.58	162.83	117.06	120.21
Austria (17)	180.16	+0.1	178.67	123.68	159.70	159.47	+0.0	1.00	180.05	178.91	122.45	160.05	159.47	184.47	131.16	140.29
Belgium (42)	161.29	+0.3	159.95	110.72	142.97	141.41	+0.3	4.07	160.82	159.80	109.37	142.59	140.99	161.29	131.19	137.19
Canada (107)	135.71	+1.1	134.58	93.16	120.29	130.01	+1.1	2.56	134.25	133.40	91.30	119.03	128.56	135.71	111.41	114.38
Denmark (32)	238.69	+0.4	236.70	163.85	211.58	216.77	+0.0	1.05	237.64	236.14	161.63	210.71	216.87	241.06	185.11	193.16
Finland (23)	124.50	+0.8	123.47	85.47	110.36	112.85	+0.5	0.70	123.45	122.67	83.97	109.47	148.65	128.99	85.50	78.24
France (98)	171.55	+1.7	170.13	117.78	152.05	157.15	+1.2	2.96	168.70	167.64	114.74	149.57	155.27	173.05	142.72	147.38
Germany (60)	136.88	+1.4	135.74	93.96	121.33	121.33	+1.4	1.70	134.98	134.13	91.82	119.66	119.66	136.88	101.59	104.90
Hong Kong (55)	398.45	+0.1	395.14	273.52	353.21	395.07	+0.1	3.76	398.06	395.55	270.74	352.97	394.69	398.45	216.82	213.00
Ireland (14)	176.63	-0.2	175.16	121.25	156.57	175.76	-0.4	3.22	176.99	175.87	120.38	156.93	176.55	179.19	129.28	131.05
Italy (70)	65.84	+0.4	65.30	45.20	58.36	82.12	+0.0	2.04	65.57	65.15	44.59	58.14	82.12	78.93	53.78	55.26
Japan (469)	129.87	-2.6	128.89	89.22	115.22	89.22	-1.7	0.92	133.40	132.64	90.79	118.38	90.79	165.91	100.76	106.20
Malaysia (69)	516.85	+0.2	512.56	354.79	458.14	508.19	+0.3	1.37	515.65	512.40	350.71	457.21	506.82	516.85	251.66	269.74
Mexico (19)	2203.14	+0.2	2184.86	1512.41	1952.93	7479.33	+0.2	0.66	2198.58	2184.72	1495.38	1940.45	7463.85	2203.14	1410.30	1632.91
Netherland (26)	196.89	-0.9	195.25	135.16	174.53	171.45	+0.7	3.09	195.06	193.82	132.67	172.95	170.21	197.07	150.39	156.10
New Zealand (14)	64.10	+1.1	63.56	44.00	56.82	61.33	+0.4	3.83	63.41	63.01	43.13	56.22	61.11	68.38	40.56	42.43
Norway (23)	170.33	+0.7	168.92	116.93	150.99	170.91	+0.7	1.49	169.10	168.03	115.02	149.94	169.79	185.10	137.71	147.66
Singapore (39)	324.29	-0.4	321.60	222.62	287.46	238.74	-0.4	1.34	325.54	323.48	221.42	288.65	239.65	332.55	207.04	202.29
South Africa (60)	233.68	+2.0	231.74	160.41	207.14	223.71	+2.3	2.44	229.15	227.70	155.85	203.16	218.62	233.68	144.72	157.06
Spain (42)	136.14	+0.2	135.01	93.46	120.68	143.83	+0.0	4.15	135.90	135.04	92.43	120.50	143.83	145.24	115.23	117.46
Sweden (36)	189.26	+0.3	187.69	129.93	167.77	232.83	+0.0	1.50	188.72	187.53	128.36	167.34	232.72	209.92	149.70	168.69
Switzerland (50)	155.78	+0.2	154.49	106.95	138.11	141.59	+0.2	1.53	155.48	154.50	105.76	137.88	141.27	155.78	106.91	111.79
United Kingdom (215)	198.05	+1.3	196.41	135.96	175.54	196.41	+1.1	3.66	195.48	194.25	132.95	173.31	194.25	198.05	162.00	171.96
USA (518)	189.87	-0.1	188.30	130.35	168.31	189.87	-0.1	2.73	190.13	188.93	129.33	168.60	190.13	191.56	175.38	177.82
Europe (748)	164.77	+1.1	163.40	113.11	146.06	158.24	+0.9	2.87	163.01	161.98	110.88	144.55	156.86	164.77	133.92	136.56
Nordic (114)	183.63	+0.4	182.10	126.06	162.78	194.12	+0.2	1.28	182.84	181.69	124.36	162.12	193.77	194.54	142.13	152.70
Pacific Basin (715)	141.34	-2.1	140.17	97.03	125.29	100.63	-1.4	1.20	144.38	143.47	98.20	128.02	102.05	168.80	105.88	110.36
Euro-Pacific (1463)	150.94	-0.7	149.69	103.61	133.79	122.60	-0.4	1.95	151.99	151.03	103.37	134.76	123.07	162.86	117.36	120.96
North America (625)	186.49	-0.1	184.94	128.04	165.34	185.76	-0.1	2.72	186.65	185.47	126.96	165.53	185.91	187.68	171.51	173.89
Europe Ex. UK (533)	143.82	+0.9	142.63	98.75	127.51	135.89	+0.7	2.35	142.50	141.60	96.94	126.38	134.90	143.82	112.51	115.37
Pacific Ex. Japan (246)	249.98	+0.5	247.91	171.63	221.61	230.63	+0.3	2.56	248.62	247.05	169.12	220.47	230.15	249.98	152.70	151.26
World Ex. US (1649)	152.80	-0.6	151.53	104.90	135.45	125.70	-0.3	1.96	153.69	152.72	104.54	136.28	126.06	162.89	118.51	122.08
World Ex. UK (1952)	160.96	-0.6	159.62	110.50	142.69	140.72	-0.4	2.10	161.34	160.32	110.15	143.61	141.25	166.66	134.22	136.88
World Ex. So. Af. (2107)	163.80	-0.4	162.44	112.46	145.21	144.88	-0.3	2.25	164.52	163.48	111.91	145.80	145.25	170.46	137.29	139.92
World Ex. Japan (1698)	183.70	+0.4	182.18	126.12	162.86	179.58	+0.3	2.73	182.96	181.81	124.45	162.25	179.00	183.70	157.47	159.05
The World Index (2167)	164.19	-0.4	162.83	112.72	145.55	145.53	-0.2	2.26	164.87	163.83	112.14	146.20	145.86	170.68	137.05	139.93

Latest prices were unavailable for this edition. Markets closed 9/12/93: Austria, Italy and Spain.

JOBS: Student success-rates cast doubt on universities' protests about government policy change

How shut-outs differ from drop-outs

Gorblimey! Can it be that a British government has at last decided that a sacred cow of 30 years' *standing* is largely bull? The protean creature concerned is degree-level education which has grown to absorb almost 10 per cent of the £32.3bn yearly public cost of education as a whole.

What return taxpayers receive on their £3bn outlays for degree studies is *another question*. It has rarely been asked, let alone answered, by the country's leaders since the growth policy was *first* recommended by the Robbins Committee, 30 days before President Kennedy died in Dallas.

The committee itself evidently just assumed that producing more graduates would automatically improve Britain's economic performance, besides making for a more civilised society in general. And the non-appearance of the said benefits did not deter a succession of governments from continuing the growth, albeit irregularly, so that the number of full-time students today *stands at a million in* the round.

Then suddenly last week the policy was thrown into reverse by the budget, which ordains that the intake of new undergraduates must be cut by 3.5 per cent next year. Whether that means John Major and company have tired of waiting for the promised benefits and are preparing the beast for protracted slaughter, who but themselves can tell? The issue is so potentially explosive that no ambitious politician would admit having any such intention, whatever the truth of the matter might be.

Either way, universities are resisting the change with protests, and not only because it's a poor reward to them for raising staff productivity by 30 per cent in four years. The cut is senseless when white-collar jobs are scarce, they say, since it means that no fewer than 10,000 people who could otherwise have been admitted to degree studies, will now have to be turned away.

With due respect to the *universities*, however, their readiness to quote figures on student admissions contrasts sharply with their *statistical shyness* on an allied question. It is: how many of the undergraduates who start their courses, quit them *without obtaining* a degree?

While the existence of drop-outs is now at least acknowledged in an annual report, it presents the data in a way far from user-friendly to taxpayers. Indeed, the figures are at once both so restricted and so complicated that the number of students who fail to complete their courses can only be estimated, not least because the document neglects to state how many started out. Moreover the information applies solely to the 40-odd older universities, so the former *polytechnics lately elevated to the same* title are left out of account.

Even so, drop-out rates are surely important enough for approximations to be better than no indications at all. Hence the table below which refers to students who ended their undergraduate *courses, either with or without gaining* a degree, during the three years 1990-92. Each university's name is followed by the estimated total of such students, and next by the actual number who were successful, which is given in the report.

Then comes a double complication. *Not only does the mix of subjects* taught vary from one campus to another, but different kinds of studies present differing levels of difficulty to the students taking them. Among the 20 separate groups of subjects listed in the data, the country-wide success rates range from 81 per cent for architecture and suchlike to 91 per cent for business and administration. But neither the campus-to-campus variances nor the difficulty differences are allowed for in *the figures headed "drop-out rate"* which accordingly, as well as being estimates, are an unfair measure to judge any individual university by.

A better yardstick is the plus or minus score that follows, which does allow for the variances. It is arrived at by giving each campus a "target" consisting of the number of drop-outs it would have if its students had conformed to the national averages for the particular groups of subjects they studied. The target is then compared *with the estimated number of drop-outs*, which I feel confident is in no case badly astray. For example, the estimate for Cambridge is 241 – 861 or 78 per cent better than its target of 1,102. Salford is the opposite with a target of 588, and an estimate 77 per cent worse at 1,043.

But in the light of government policy, individual differences are less salient than the overall figures. There, the gap between the actual successes and the estimated total is 31,676 – three *times as many drop-outs just from the* older universities as the number of new entrants the whole lot of institutions *are complaining they will collectively* have to turn away.

Michael Dixon

	University	Estimated total u/g students	Number successful	Drop-out rate %	% better(+) or worse(–) than target
1	Cambridge	8,400	8,159	3	+ 78
2	Oxford	9,075	8,625	5	+ 60
3	Durham	4,410	4,111	7	+ 47
4	Warwick	5,692	5,185	9	+ 33
5	Bristol	5,674	5,185	9	+ 33
6	Southampton	5,256	4,764	9	+ 30
7	Nottingham	5,850	5,279	10	+ 24
8	Leeds	8,402	7,550	10	+ 22
9	Loughborough	4,455	3,954	11	+ 21
10	Aberdeen	3,571	3,216	10	+ 20
11	Hull	4,695	4,425	6	+ 19
12	Lancaster	4,360	3,930	10	+ 18
13	York	3,364	3,015	10	+ 17
14	Birmingham	6,750	5,996	11	+ 14
15	Exeter	4,453	3,958	11	+ 12
16	Belfast	5,600	4,959	11	+ 11
17	Sheffield	6,542	5,722	13	+ 5
18	Manchester	8,654	7,588	13	+ 4
19	Leicester	4,122	3,622	12	+ 3
20	Bath	3,070	2,653	14	+ 2
21	Wales	17,277	15,184	12	+ 2
22	Sussex	3,657	3,210	12	+ 1
23	Kent	3,819	3,351	12	– 1
24	East Anglia	3,634	3,192	12	– 1
25	Ulster	6,039	5,250	13	– 6
26	Essex	2,824	2,458	13	– 6
27	Stirling	2,131	1,873	12	– 8
28	UMIST	3,688	3,089	16	– 10
29	Edinburgh	6,147	5,309	14	– 10
30	Surrey	2,779	2,351	15	– 12
31	Strathclyde	5,908	4,974	16	– 12
32	Aston	2,985	2,565	14	– 13
33	St Andrews	2,484	2,143	14	– 15
34	Reading	5,452	4,646	15	– 17
35	Keele	2,492	2,106	15	– 20
36	Bradford	3,596	3,040	16	– 21
37	Newcastle	6,332	5,279	17	– 24
38	Glasgow	6,770	5,626	17	– 25
39	Liverpool	6,674	5,527	17	– 33
40	London	26,833	22,109	18	– 38
41	Heriot-Watt	2,859	2,278	20	– 38
42	Brunel	2,179	1,722	21	– 42
43	Dundee	2,074	1,714	17	– 43
44	City	2,485	2,008	19	– 48
45	Salford	3,989	2,946	26	– 77
	Overall	247,502	215,826	13	same

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London-based
c.£60,000

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The President of the Board of Trade intends to build on the IBB's success. This initiative will be led by the IBB's new Chief Executive - an appointment created further to enhance the standing and the role of the IBB and aggressively to promote Britain within both existing and emerging investment sources.

Candidates will be individuals of stature, reputation and maturity who have already achieved the highest level in their business careers. Their functional specialism is likely to have been marketing, probably in the manufacturing or service sectors. They will have developed the widest of business perspectives, will have operated internationally for many years, and will command respect in the corridors of government. They will have a powerful belief in the mission of the IBB and - perhaps - see the role as an appropriate pinnacle of their career.

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The initial contract period will be for three years, renewable thereafter, with salary in the range £51,000 - £60,000 plus pension provision. More may be available for an exceptionally well qualified candidate.

To apply, please send a brief cv in confidence to Mike Brown, Ref: 6141/MB/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

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The successful candidate is likely to be in his or her mid-late 30s and should have some familiarity with, and ideally first hand experience of, the regulatory environment.

The appointment would initially be made on the basis of a short-term contract (with the possibility of extension). Salary will be negotiable according to experience; fringe benefits are also available.

CVs should be sent to:
Mr S O Graham,
Personnel Division (BB-1),
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The successful candidate will have the maturity, experience and confidence necessary to work closely with the senior financial management of major corporations. He or she will probably be educated to degree level, have up to ten years experience, ideally gained within an international bank, and will be able to demonstrate the following:

- a sound and relevant record of achievement in relationship management of UK corporates
- a high degree of business planning skills
- a sound negotiator and excellent communicator
- strong analytical skills
- ability to work as a member of a well-established team

An attractive remuneration package, commensurate with the responsibilities involved in this position, is offered. Candidates should submit a full C.V. with details of current remuneration to:

Myra Heffernan, Personnel Department,
Bank Brussels Lambert, 6 Broadgate
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Since graduating you must have already enjoyed 2-3 years of success in assisting with the financing of projects or perhaps in banking. As well as possessing impressive funding and modelling expertise, you must be an excellent team player – full of drive and initiative and with outstanding interpersonal strengths. Above all, you must demonstrate that you have the understanding, adaptability and authority to tackle such a diverse 'high profile' challenge.

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Candidates will be educated to degree level, ideally with a background in law. Aged 25-35 they will preferably have at least five years' experience gained within a banking organisation with exposure to derivative products. Total familiarity with the confirmation process, together with experience of drafting non-standard documentation will be essential, whilst knowledge of ISDA master agreements would be advantageous. They should have a proven track record of success and display high levels of energy, motivation and commitment. They will be innovative, proactive and possess first class communication skills together with the initiative and flair required to meet the continuing challenge this role will present.

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76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 071-248 3653 Fax: 071-248 2814

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Please write with a full CV including salary details to:

Linda Cobbold, Manager Personnel,
Nomura Bank International plc, Nomura House,
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Quantitative Analyst

INTERNATIONAL EQUITIES

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MANAGER, CORPORATE BANKING

ABU DHABI

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Based in Abu Dhabi, and reporting to the Branch Manager there, the role will be to acquire quality business through developing and managing corporate and multinational relationships.

Applicants must have 5-10 years' banking experience, which includes formal credit training in an international banking environment, and at least two years' exposure in marketing to large corporates/multinationals. Ideally this experience will include specific project and trade finance experience.

You must have an AIB or equivalent qualification, and ideally a degree-level education. Fluency in written and spoken English is essential, and spoken French would be advantageous.

Since this is essentially a start-up position, the successful candidate will have a high degree of self-motivation and energy. They will be a self-starter, and will need to be particularly persistent and tenacious in building relationships from a very low base. Above all, they must be committed to delivering results as measured by the acquisition of new business. First-class interpersonal and presentational skills will be necessary to deal effectively with clients at all levels.

We can offer to the successful candidate a competitive salary and benefits package, and in addition, opportunities for development and advancement within the expanding Emirates Bank Group.

Applications must include a full curriculum vitae, plus a covering letter indicating how you meet the position requirements, and an indication of current salary and benefits package.

They should be addressed to **Mr David Shaw**, *Chief Manager, Human Resources*, EMIRATES BANK INTERNATIONAL LTD. *either in Dubai, or to our London Office if preferred:*

PO Box 2923
Dubai
United Arab Emirates

OR

Shackleton House, Hays Galleria
4 Battlebridge Lane
London SE1 2HP

You may fax applications direct to Dubai (971-4-264394) but these must be typewritten (including the covering letter) to ensure clarity.

The closing date for application is three weeks from the date of this advertisement. Interviews will be arranged in London and/or Dubai for candidates who are short-listed.

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For further details, please call
Chrys Lytras on 071-355 1575
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Candidates interested in this position should apply with a curriculum vitae to: Andrew Cauldwell, European Manager, BARRA International Ltd, 1 Whittington Avenue, London EC3V 1LE.

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Reporting to the Financial Director, you will review and identify areas in our existing practice that require strengthening and propose, implement and monitor the changes. Leading a team in performing audit assignments, you must possess strong supervisory and communication skills to work with all levels of staff and management.

You must have a recognised accounting or internal auditing qualification. Experience in arranging and controlling computer audits is required. Good writing and oral skills to put forward findings and recommendations are essential. *Ideally, you will have five to ten years' experience* in a multi-national retail/service business, of which a minimum of five years must have been in a senior internal audit position within a large organisation. Experience in an airline would be a major advantage.

This opening, which involves travel, represents an opportunity and challenge to the committed professional. You will be based in Hong Kong and the terms of employment will be appropriate to the senior status of this position.

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A fully competitive salary and benefits package for this senior management position will be available.

Initially based in central London, it is anticipated that the post will transfer with the team to new corporate headquarters in the Midlands in 1995.

In complete confidence, please write enclosing a full c.v., quoting vacancy reference PG163/93, to Mr M H Peachey, Personnel Services Manager, PowerGen plc, Haslucks Green Road, Shirley, Solihull, West Midlands, [illegible]

The closing date for receipt of applications is Monday [illegible] December 1993.

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ACCOUNTANCY COLUMN

Dons learn that 'freedom' has a bottom line

Andrew Jack on the often troubled relationship between the accountancy establishment and academia

Censorship and academic accounting might seem rather unusual bedfellows, but events in the last few weeks have provided a new focus on the tensions that can be placed on dons when the world outside intersects with university life.

Indications of the latest stresses came in two parliamentary early day motions tabled at the start of this month by Mr Austin Mitchell, Labour MP for Great Grimsby and accountancy profession scourge.

Nine MPs have signed a motion expressing doubts about the degree of democracy exercised by the Chartered Association of Certified Accountants (ACCA). And 11 have signed a second, deploring attempts by the accountancy profession to infringe academic freedom.

It began with a letter in May to the ACCA from Mr Prem Sikka, Mr Mitchell's academic adviser from the University of East London. He questioned the voting procedures used in ACCA's elections earlier this year, in which he unsuccessfully stood as a candidate. The subsequent correspondence is now half an inch thick.

Most significantly, the ACCA wrote to Sikka's vice chancellor in August asking whether his institution endorsed these views. Sikka saw this as an attempt to quash his opinions through pressure from above.

After many more exchanges, the ACCA apologised to Sikka in November for any "embarrassment". It added that it was now considering reforms to its bye-laws – some of which address his concerns.

Mr Anthony Booth, director of professional standards at the ACCA, says if there was institutional endorsement of Mr Sikka's views, the association may have considered cancelling its long-standing accreditation of its courses at the university which is "based on trust".

Sikka's concerns may be overplayed, but they highlight the stresses under which academics – particularly those with controversial views – can be placed. Other episodes concerning freedom of speech have long bubbled away in the world of academia. But in the normally gossipy world of the common room and conference circuit, people tend to clam up when they are asked for examples.

An exception is David Cooper, now shielded by the relative safety of a post at the University of Alberta in Canada. While Price Waterhouse professor of accounting at the University of Manchester Institute of Science and Technology (Umist) in 1984, at the time of the miners' strike, he published an article in Accountancy magazine alleging "misinformation" in the National Coal Board's assessments of the financial viability of its coal mines.

That led to indignation from a member of the board, and triggered a review of the editorial practices of Accountancy. Cooper says he also received a phone call from Richard Wilkes, a partner at Price Waterhouse, which had been appointed sequesters to the National Union of Mineworkers. "He screamed at me about causing the firm severe embarrassment and how could we bite the hand that fed us and how PW would continue to fund the chair over his dead body," he recalls.

Mr Wilkes, now retired from PW, says: "I did have words. It was an irritation. We were just concerned that he didn't start impinging on our activities. We were trying to keep a low profile." After intervention from other senior Umist officials, PW continued to fund the chair.

Another maverick don is Paul Barnes, Touche Ross reader in corporate finance and accounting at Nottingham University. "I was sued for libel over my PhD thesis and I have never looked back since," he says.

His comments on the Britannia Building Society brought proceedings which remained a threat for two years. It also kindled a continuing research interest in building societies, and the persistent ire of Mr Mark Boléat, until recently director-general of the Building Societies Association.

Last year Barnes wrote a piece in Accountancy on building societies, which triggered a highly-critical letter – copied to the senior partner of Touche – from Boléat. Barnes believes this damaged his reputation. It certainly could not have helped him at a time when he was applying for a professorship – which he did not get.

Academics tell other stories anonymously: a vice-chancellor with business connections who prevented the appointment to a named chair of a left-wing lecturer; pressure from a group of accountants sponsoring a chair to influence the selection; a young researcher threatened with a writ by a group in the City when his findings proved critical of them.

Nor is the problem unique to the UK. Abe Briloff, emeritus professor of accounting at Baruch College in New York, faced a defamation suit brought against him in 1976 by Saul Steinberg, the corporate raider and head of Reliance Group, after writing a critical article in Barron's magazine.

Some academics are less concerned by the pressures sponsorship presents – though most acknowledge that it does not leave them unaffected. One example is Christopher Nobes, now Coopers & Lybrand professor of accounting at Reading University, who previously arranged endowed chairs at the University of Strathclyde from both Touche Ross and Ernst & Whinney. His contract includes regular work for Coopers.

"In the days when firms were desperately short of graduate applicants and had quite a lot of money, a few thousands of pounds here or there to influence students was regarded as a worthwhile element in the recruitment budget," he says to explain the level of support. "I believe in all cases apart from mine, the firm has given money and then not really exercised any influence over the appointment. The academic might occasionally go in for lunch.

"Maybe sometimes a professor might feel constrained from saying things because they are worried about what the firm or its clients might think, or the professor doesn't like what the firm says," suggests Nobes.

"I have sometimes not done things because of my link with Coopers. I have never said something I don't believe. Sometimes I have not said things I do believe. That is merely being responsible."

He says that if he was asked to comment on the poor accounting policies of a company, he would first ask whether it was a Coopers' client – and if so, he would refuse.

"I don't see it as a problem. It is the inevitable result of something which brings large benefits. I get much more informed on things and in effect I have to sign the official secrets act."

Even Paul Barnes, whose endowment was originally provided by Spicer & Oppenheim before it merged with Touche, says: "I did feel constrained at one time when the press were giving Spicers a bad time over its audit of Barlow Clowes." He wanted to intervene to defend the firm, but felt he would be criticised as biased if he did.

Two years ago, he wrote a piece mischievously suggesting that the poor research rating of accountancy in British universities reflected the lack of independence of its funding.

More seriously, he argues that freedom of speech is hardly the prime concern for most accounting academics because they are too focused on abstract topics. "Academics are too busy counting the number of angels on a pinhead to even recognise the existence of, say, creative accounting," he says.

Tony Steele, Ernst & Young professor at Warwick University, who was himself embroiled in legal action over current cost accounting in the mid-1980s, adds: "The real issue isn't pressure on academics because their work is so relevant, but how we can get them to be less self-indulgent and more relevant."

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Interested candidates should send a Curriculum Vitae together with details of current salary, to Jon Anderson ACMA, Martin Ward Anderson, 134 Peascod Street, Windsor, Berkshire SL4 1DS. Alternatively, please telephone him on 0753 830881.

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Please reply in confidence to Brian H Mason, quoting Ref L536.

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WORLD COMMERCIAL VEHICLES

Friday December 10 1993

The collapse of the Volvo-Renault merger has created fresh turmoil in the European truck industry. Overall, the market is continuing to shrink, but a strong upturn in demand has occurred in the US and recovery is in sight elsewhere, writes Kevin Done

No let-up in the pace

The world market for commercial vehicles is continuing to shrink, under the burden of contracting demand in Europe and Japan.

Japan is enduring its fifth year in succession of declining truck output, while sales in west Europe have suffered an unbroken four years of decline. The crisis in the European truck market has intensified this year with sales set to fall by around a quarter.

In North America the picture is brighter. The market has turned from famine to feast, as the fortunes of the truck industry continue to follow their traditional wild fluctuations.

Some US manufacturers are now struggling to keep pace with the strong upturn in demand, with production up for the second year running by around 19 per cent. US output of heavy duty trucks is expected to exceed 153,000 this year, the highest level for 12 years.

Several leading European truck makers, notably Mercedes-Benz, Volvo and Renault, have a strong presence in North America, and the rapid financial recovery of the US operations is now helping to support the parent companies as they face mounting losses in Europe. Mercedes-Benz, Volvo and Scania are also benefiting from an upturn in the Brazilian truck market, where they are the dominant producers.

Fluctuating market cycles, heavy investment demands and intensifying competition are allowing no let-up in the pace of rationalisation and concentration in the world industry. The restructuring has been most intense in Europe, where tens of thousands of jobs are being eliminated. Several producers including Mercedes, Iveco and Renault Véhicules Industriels are in loss.

The restructuring process is proving unpredictable, however, and fresh turmoil has been created in the European truck industry by the collapse this month of the much-heralded merger between Volvo of Sweden and Renault, the French state-owned vehicle maker, which had been set to create the world's second largest heavy truck and bus maker and the only producer able to challenge the volumes of Mercedes, the world leader.

At the same time, the recession in Europe has claimed its most notable victim this year with the financial collapse of Daf, the Dutch commercial vehicle maker. Daf plunged into receivership under the burden of debts of Fl 3bn and accumulated losses of Fl 880m in the three years to end-1992.

However, many of the old Daf group's operations have survived, although they have been drastically rationalised with the elimination of more than half of the previous workforce. The rescue was led by the Dutch and Flemish governments which are now the majority owners of the newly formed Daf Trucks.

This company no longer owns any UK operations other than distribution, whereas it previously included UK van and truck assembly, axle and components manufacturing and significant parts distribution in the wake of its takeover of the Leyland Vehicles business in the second half of the 1980s.

The UK operations have also gradually been rescued individually from receivership, however, by a combination of management buy-outs and buy-ins, and they are still linked with Daf Trucks through long-term supply agreements.

The Daf brand – Leyland Daf in the UK – still commands around 7 per cent of the European heavy truck market, and in spite of the severity of the recession, continues its battle against bigger rivals, which in some cases still confront restructuring challenges.

The greatest uncertainty now faces Volvo Truck and Renault Véhicules Industriels, the commercial vehicle operations of the Swedish and French manufacturers.

The two groups, which have been linked through a far-reaching alliance for the last three years, were set to complete a full merger on January 1 with the establishment of a unified management structure. Amid great drama the merger has been halted, however, because of the combined opposition of leading Volvo institutional shareholders and the group's senior management.

As the two groups have already taken many important steps to combine their operations and because they are bound together through significant minority shareholdings – Volvo and Renault still hold 45 per cent stakes in their respective truck and bus operations – the failure of the merger plan has plunged them into serious difficulties.

The two managements now face an agonising period of reappraisal, as they seek to examine what can be saved from their existing network of collaborative projects, which activities have been rendered impossible by the breakdown of trust between the organisations, and which areas may lend themselves to future collaboration with other rivals among the dwindling corps of the world's vehicle makers.

Mr Pehr Gyllenhammar, the former Volvo chairman, has declared that "the alliance will not remain. It will be dismantled by a Renault management which has lost its confidence in Volvo. To dissolve the alliance will require time, energy and will be demoralising."

Understandably, Mr Louis Schweitzer, chairman of Renault and the man who had shared Mr Gyllenhammar's vision for building Europe's second largest vehicle maker, has reacted with more caution.

The choices facing the two companies are bleak, as the fiercely competitive landscape of the global vehicle industry, that encouraged the two companies to look at merger as a road to survival in the next century, has not changed.

The world's car and commercial vehicle makers are still haunted by overcapacity, minimal growth in demand, continuous upward pressure on product development costs, increasing price competition and the need to overhaul radically their components and materials supplier bases to reduce components costs.

The number of independent European manufacturers of heavy trucks has fallen dramatically in the past two decades from 40 in 1965 to 20 in 1980 and to only 10 in 1992.

In trucks Volvo and Renault were making heavier weather of the alliance than in the car sector, but they had still embarked on a number of joint development projects for basic components (such as engines and transmissions), as well as on broad co-operation in procurement and research.

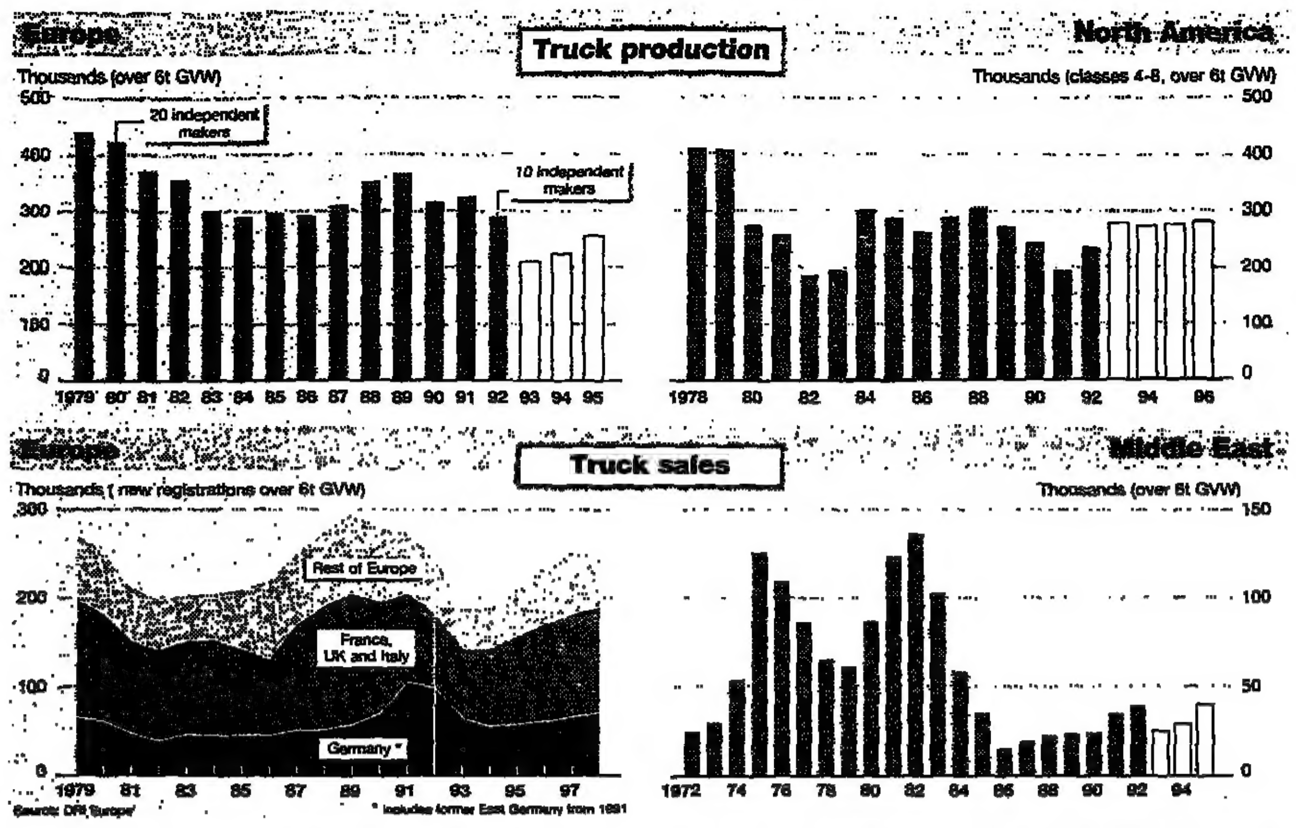
The two groups had planned to establish a "common architecture" for families of engines, which would lead to joint development of engine components. Common specifications were to be developed for rear axles and gearboxes. Production and procurement were to be co-ordinated to reduce the unit costs of components.

From Renault's perspective, the merger was particularly important in commercial vehicles, where Volvo is stronger. Studies to assess the benefits had suggested that cost savings of up to FFr42bn could be achieved by the year 2000 from the combined car and commercial vehicle operations because of economies of scale in production, combined R&D efforts and joint purchasing programmes.

Renault and Volvo must now examine the financial weakness of the French group's truck operations and the Swedish group's car division. Both "require significant equity injections in the near future to recapitalise their balance sheets following substantial losses over the last few years," according to recent Volvo statements to its shareholders.

As the two groups seek to limit the damage from the failed merger they can expect little help from the European market. Truck sales (above 6 tonnes gross vehicle weight) have been falling for four years from a peak of 302,000 in 1989 to a forecast 197,000 this year. Mr Rudolf Rupprecht, chief executive of MAN Nutzfahrzeuge, Germany's second largest truck maker, warned recently that sales next year were unlikely to show any significant recovery with registrations expected to be virtually unchanged at around 199,000.

The pick-up in demand through the rest of the decade was also expected to be subdued with sales reaching only 239,000 by 2000, said Mr Rupprecht, although forecasts from elsewhere in the industry have been less cautious. Some comfort can be drawn from the UK, however, where the recovery from the depth of recession has been accelerating in recent months with overall truck registrations rising by 15 per cent in the first 11 months.



Source: DRI Europe
* includes former East Germany from 1991


The Scania twin-steer centre lift axle tractor


A light truck from MAN's L2000 range

Kevin Done on the new image of the Dutch truck maker, back in business after a spell in receivership

How Daf rose again from the ashes

Most of the constituent parts of the old Daf group are back in business despite the collapse into receivership of the former Dutch truck maker in early 1993.

The ownership and financing structure of the new companies are radically different, and more than half of the jobs in the old group have been eliminated, but to the customer at least the new federation of Daf companies is seeking to present an unchanged image.

The product range – one of the most modern in Europe and sold under the Daf name in continental Europe and Leyland Daf in the UK – is little changed, and the group has sought to hold on to the core of its European dealer network.

In trying to match its rivals, Daf spread its resources too thinly

The old Daf group filed for protection from its creditors in the Netherlands on February 2 with total debts of more than Fl 3bn, while Leyland Daf, its UK subsidiary, went into administrative receivership in the UK a day later.

Daf was brought down by the severity of the recession in the UK, its main market, by doubtful financing operations and by an over-ambitious product development programme. Lacking the sales volumes – and the financial resources – of its bigger competitors, Daf still tried to match its rivals in the breadth of its product offering. As a result, it spread its resources too thinly.

It suffered total accumulated net losses in the three years from 1990 to 1992 of Fl 880m, before any account was taken of an envisaged restructuring charge of Fl 700m for 1992 chiefly to finance the closure of its UK van operations.

As its problems deepened, Daf had already cut its workforce by more than a quarter from 16,783 in 1989 to 12,289 in 1992 including 5,401 in the UK, 4,906 in the Netherlands, 1,461 in Belgium and 521 in the rest of the world.

The various companies that have been formed out of receivership now employ around 6,200, including some 2,700 jobs in the UK.

The Daf 95.500 super space cab, to be launched next February

The core Daf heavy and medium-weight truck operations based in the Netherlands and Belgium have re-emerged under the ownership of the newly-formed Daf Trucks, with majority state ownership by the Dutch and Flemish governments.

In the UK Daf Trucks has also taken over the sales and marketing arm of the former Leyland Daf operations in order to secure control of its distribution and dealer network in the UK.

The remainder of the UK operations has been rescued by a series of management buy-outs in the case of the former Leyland Daf van and truck operations, and management buy-ins for the parts operations and the components businesses in Glasgow (Albion) and Leyland.

The crucial first step in restoring the viability of the former Daf group was the rescue of the Dutch and Belgian operations. The newly formed Daf Trucks has an equity capital of Fl 385m, of which the Dutch and Flemish governments have subscribed Fl 209m, with Fl 75m coming from a group of banks, Fl 80m from institutional investors and Fl 21m from private investors, including some components suppliers, dealers and importers.

Including subordinated loans, Daf Trucks has a total risk-bearing capital of some Fl 450m. A group of banks including ABN-Amro, Rabo Bank and Credit Lyonnais have provided credit facilities of more than Fl 500m.

Western Europe: the trend in sales

	1991	1992	1993	1994	1995	1996
LIGHT COMMERCIAL VEHICLES (up to 6t GVW)						
Germany	235,520	333,288	249,927	260,846	278,329	292,007
France	341,817	328,827	263,239	281,153	337,082	389,756
UK	163,967	158,577	158,274	168,776	184,640	223,927
Italy	151,719	146,500	112,470	110,216	127,760	151,154
Spain	158,702	155,312	107,770	150,286	185,196	199,598
Total*	1,335,109	1,403,618	1,131,994	1,224,168	1,393,033	1,577,924
TRUCKS (over 6t GVW)						
Germany	105,509	98,641	65,039	56,187	58,468	69,701
France	43,872	34,983	27,761	31,842	38,901	41,963
UK	29,774	29,335	33,349	37,014	41,109	50,742
Italy	25,256	21,569	17,406	16,806	20,904	26,968
Spain	20,378	17,737	11,138	12,742	15,083	20,140
Total*	274,845	246,874	188,559	191,254	215,283	261,689

*Includes other countries. Source: DRI Europe

Daf Trucks has managed to hold on to a share of around 7 per cent of the west European heavy truck market above 15 tonnes, and Mr Cor Baan, chairman of the management board of Daf Trucks – as he was of the old Daf group – maintains that the dealer network has remained largely intact.

It now has a network of some 250 main dealers and around 750 sub-dealers and service outlets.

The new Daf Trucks includes the manufacturing, product development and sales operations in the Netherlands, the cab and axle plant and local sales operations in Belgium, as well five wholly-owned sales operations in the UK, France, Germany, Switzerland and Italy.

The workforce now totals around 3,500 with about 2,500 in Eindhoven, 750 in Westerlo, Belgium and 250 in the various sales organisations outside the Netherlands.

The organisational structure has been kept "as flat as possible", insists Mr Baan, with a relatively small number of staff in non-production jobs. Of the total workforce 2,440 are engaged in production, 340 in research and development, 610 in sales and marketing and 120 in the central staff.

Daf Trucks is aiming at a production level of around 40 trucks a day at the Eindhoven plant, although by November it was still only producing 30 trucks a day, as it was working to reduce its stock levels and was supplying from stock especially in Germany.

The formation of Daf Trucks allowed the receivers in the UK to proceed with the rescue of the British operations. The formation of Leyland Trucks Manufacturing through a management buy-out team depended crucially on reaching a supply contract with Daf Trucks, which continues to sell the UK-built Daf/Leyland Daf 45 series light truck through its European sales network.

The rescue of the truck operations also created a viable business base for the UK parts operations and components manufacturing, which have bought by management buy-in teams. Only the UK van operations have been saved outside this federation of companies. The management buy-out team at Leyland Daf Vans in Birmingham is not selling its products through the new Daf Trucks dealers but through its own network, which is largely confined to the UK.

The organisational structure has been kept "as flat as possible"

Pat Kennett on the continent's exporters

New drive in Asia

The shape of global commercial vehicle manufacture is inexorably changing. The big truck market growth areas are the world's developing nations, rather than those already industrialised. High production costs in the old world have already ruled out many of those sources for much of the developing world's transport.

In Asia a clear trend is developing. Nations that a few years ago ranked as third world have developed their own industries to the point where they have become net vehicle exporters. Countries which have partly or wholly achieved this status are India, South Korea and China.

While China has developed its own industry dramatically, it has such a huge internal demand that it will be some time before it can become a major exporter. Malaysia and Vietnam have also embarked on ventures to become vehicle producers.

After a 30-year gestation period during which engineering techniques required to produce durable trucks and buses were learned the hard way, with very little help or money, India has blossomed into a world class producer. This year it will build about 175,000 commercial vehicles and is expected to exceed 200,000 by 1995.

While many of these are developed from European chassis of 20 years ago, an increasing proportion are modern designs, much in demand in Africa, the Middle East and Asian territories.

Most of what India calls heavy trucks would be termed medium-weight in Europe. As two-axle 12-16 tonners, they are well suited to many developing markets. This heavy sector is shared by two makers: Tata, a member of the Telco manufacturing group based in Bombay, and Ashok Leyland, based in Madras, with Iveco holding a 51 per cent stake.

Tata was a CKD operation set up with Mercedes' help in the 1950s, but the Germans reduced their direct interest as Tata developed its own designs and technologies. This year it signed a deal with Cummins to build B-series diesel engines in the 120-210 bhp class.

In the light commercial sector Tata has an excellent new product range called the 207 based on a sturdy 4x2 chassis with a modern 2.0 litre diesel, bodied as a truck, a large estate car or a utility in the Range Rover class. Tata is into more than a dozen markets with this versatile vehicle, including Europe, where it is already approved in France.

Once a Leyland-based CKD operation set up in the late 1950s, Ashok Leyland has in recent weeks begun manufacture of a version of the Ford Cargo which was built at Langley, near Heathrow Airport, until last December.

Ashok is a key element in Iveco's strategy outside Europe. The company has invested around £140m to build the 6-10 tonne Cargo and a further £100m will go on larger versions in the next three years. Production of 25,000 units will be possible, more than doubling Ashok's capacity in the 6-16 tonne classes. Pressings for the Indian Cargo cab will be done for Ashok by Mahindra & Mahindra, and assembled in a new shop near Bangalore.

Mahindra itself has ambitious expansion plans. The group is best known for utility vehicles of less than three tonnes, including several Jeep variants, but also builds light trucks. In 1993 it began production of the Armada which can carry 11 people in its passenger variant.

For its new low-emission two-litre diesel, to be built in India, Mahindra went to world-renowned engine R&D specialists, AVL of Graz, Austria. Now the group reports a waiting list of 1½ years, but is resisting the temptation to increase production until quality is absolutely assured. Then, the Armada, like the 207 Tata, is set to become a highly attractive export item.

China is undoubtedly the largest potential market for commercial vehicles, but direct imports have always been difficult. Increasing oil production, both on land and in the Yellow Sea, has accelerated its industrial programmes, including numerous commercial vehicle joint ventures, mainly with western manufacturers. Among these are Eaton and Rockwell, producing gearboxes and axles respectively, ZF (gearboxes and steering gear), Steyr (heavy trucks and diesel engines for automotive and industrial uses), Cummins, building large generator and locomotive engines and small truck engines; and Iveco, producing vans and minibuses.

The Cummins j.v. with China's Dong Feng group is particularly interesting. It embraces volume production up to 60,000 units annually, to power a new 8-12 tonne truck replacing the ancient Dong Feng. Production began early in 1993, with locally built chassis and axles, the Cummins B-series engine and a Nissan design steel cab. In each case these joint ventures begin with a small number of fully built-up units, followed by increasing local content increments to eventual 100 per cent.

The Steyr operation is now producing about 5,000 heavy trucks a year in the 17-28 tonne class and the figure is expected to double by 1997. The Iveco j.v. will produce about 15,000 units this year, with about 30 per cent local content, against a 1998 target of 60,000 with virtually 100 per cent local content.

Potentially, China is likely to become a world class commercial vehicle manufacturer by the end of the century, but such is the huge domestic demand estimated at more than 250,000 medium and heavy duty vehicles before 1997 that it is likely to be some time before significant exports occur.

Malaysia's truck-building efforts are concentrated in Proton light commercials, but several heavy vehicle makers are looking at this territory. In Vietnam, Iveco this year established a joint venture to build Daily vans and minibuses, again beginning with CBU units, graduating to a majority of local content. Korea currently builds or assembles around 400,000 light commercials, with Hyundai accounting for nearly half. Heavy trucks are still imported, mainly from Europe.

Although the choices for direct imports into Asia are diminishing steadily, the opportunities for joint manufacturing ventures more than compensate for that trend.

Rise of an innovative vehicle industry

Making it in Latin America

Latin America used to be one of the largest and most lucrative markets for commercial vehicles from Europe and North America. In the 1950s and 1960s, extensive industrialisation required vast numbers of trucks and buses, while the size of the continent, 7,000 km from the Caribbean coast to Cape Horn, meant that each and every one had plenty of work to do. In 1960, for example, Leyland alone was supplying 1,000 buses to Buenos Aires, 500 to Montivedeo, 100 to Jamaica and 240 to Havana, with corresponding truck numbers to every part of the continent. Mercedes, GM, MAN and Ford did similar volumes of business later in that decade.

All that has gone, not because the suppliers are less able, but because many countries decided to develop their own vehicle industries. They encouraged manufacturers to establish assembly operations, leading to progressive manufacturing, and set up formidable barriers against vehicle imports. The Mercosul scheme currently carries out that task.

The progress of such well-meaning projects was far from smooth. Restrictions or bans on imports meant that vital components, which were difficult to make locally, were excluded along with complete vehicles.

Consequently, manufacturers struggled to produce the required quality of vehicle and, as in India and elsewhere, they learned how to solve technical problems the hard way, by going back to basic engineering principles.

The result is that today's Latin American commercial vehicle industry is both innovative and technically strong. Some European senior managers, including Mr Helmut Werner of Mercedes-Benz, reckon that Brazil is one of the most exciting countries in the world as far as trucks are concerned. Several Latin American nations have become vehicle producers, while some, including Argentina and Mexico, combine production and imports in their increasingly dynamic economies.

Brazil not only provides all its own commercial vehicles – a few special designs excluded – but exports in quantity to other Latin American countries, the US and Canada, numerous African states and even to Europe. Fiat's Fiorino light van, for example, is made exclusively in Brazil.

Mexico also provides for most of its own needs. In 1992, it built or assembled 304,000 commercials, mainly under 3000kg GVW. Assembly takes place in Venezuela and Peru, but substantial numbers are imported, partly from other Latin American countries.

Mercedes-Benz reckons that Brazil is one of the most exciting countries in the world as far as trucks are concerned

Different strategies are employed by some of the big players. Mercedes-Benz has developed a range of medium and heavy truck designs in Brazil which, apart from the star on the grille, bear little or no resemblance to their distant European cousins. Thirty years ago, when Mercedes set up in Argentina and Brazil, the products were simply export versions of European originals.

The VW-Ford venture, Autolatina Brazil, has also developed along lines that owe little to North America or Europe; hence, there are VW trucks up to 35 tonnes with MWM engines. Dedicated US market truck chassis are built in Brazil by several makers, such as the "baby" Kenworth Class 6 & 7 medium trucks.

But while some manufacturers freely develop designs found only in Brazil, others go to great lengths to ensure that their Latin American products, including components, are identical to and interchangeable with those in Europe.

Scania, which has manufactured in Brazil and Argentina for more than 25 years, uses its Latin American plants as part of a global manufacturing network. Engines made in Sao Paulo and gearboxes made in Tucuman could find their way into chassis built in Iran or France or Holland just as easily as those from Sweden, depending on production balance at any particular time.

Among the old world manufacturers to be found in Brazil are Mercedes, Volvo, Ford, Scania and VW, although Iveco pulled out some years ago. Significantly, there is, as yet, little Japanese presence: it accounts for less than 1 per cent of truck output in Brazil's total of well over a quarter of a million.

Mexico's industry is, perhaps inevitably, closer related to the US, its next-door neighbour, than to those in countries further south. US manufacturers with Mexican operations include Ford, Chrysler and GM, Freightliner in conjunction with Mercedes' international operations, Volkswagen, Cummins engines and Rockwell components among many others.

The European presence is less prominent, but Perkins has had a diesel engine joint venture, as have a number of component specialists.

Just as the major manufacturing operations of the 1990s began in a modest way a quarter of a century ago, so others have more recently begun the long industrial haul.

Cuba builds its own diesel engines in a rationalised range of V6 to V12 units from 200 to 450 bhp, powering literally everything that moves, from trucks and urban railcars to fishing boats and combine harvesters. It has a surprisingly extensive components industry, making a variety of parts, from fuel injectors to semi-automatic gearboxes.

The country's expanding population and free movement of labour demand extensive public transport, and Cuba's bus production is numbered in thousands rather than hundreds a year. There was a promising export trade in buses until the collapse of the east European bloc, but nowadays just a trickle goes out, mainly to African nations with leftwing governments. Given reasonable political stability, Cuba has every chance of joining that growing band of third world nations which aspire to "supplier" rather than "consumer" status.

Modest assembly operations have been going on in Peru and Venezuela for more than a decade, but to date they show little sign of development into viable manufacture. Colombia assembles a modest number of light commercials, mainly of Chrysler and Renault origin, but heavy trucks are imported.

In a relatively short period and largely by its own efforts, Latin America has been transformed from a large market for old world suppliers to something approaching self-sufficiency. Indeed, the US buys more commercial vehicles from Latin America than it sells there. That trend can be seen elsewhere in the world, simply because it makes economic sense.

Pat Kennett

The single market and the road haulage industry

Pay first, save later

Traditionally one of the most highly regulated transport sectors, the road haulage industry has undergone considerable liberalisation in recent years.

The creation of the single European market, on January 1 1993, has created a new working environment, the full impact of which has still to be assessed.

The removal of most border controls by customs has speeded up trans-European journey times but has also swept away a host of small freight-forwarders with their specialist skills in export documentation. The burden of handling VAT forms and compiling trade data has been passed back to the trader.

Customs and Excise has estimated the cost to British business of adapting to the single market at £100m in the first year, with net annual savings of £135m likely to come through in later years. But it is not yet clear that many businesses are aware of the savings in both time and cost which can result from faster journeys.

There have been complaints that hauliers have not passed on the savings that they have made and it is clear that this will come under closer scrutiny as an understanding of the new regime spreads.

The advantages to the haulier of the changes are a reduction in waiting times at many borders, particularly in southern Europe, and a more efficient use of his vehicles and drivers' time. In northern Europe, though, where many countries had already streamlined their customs procedures, the savings will be less marked.

One result of the formal creation of the single market has been the removal of restrictions on permits allowing hauliers to operate throughout the European Union. Many European countries had maintained highly restrictive regimes but from January 1 1993 hauliers have been issued with an authorisation which allows them to make as many international journeys as they want between member states.

A second grievance which is also in the process of being alleviated relates to cabotage, the right of a haulier to pick up a load in another country and deliver to a destination in the same country. From January 1 1994, the number of cabotage authorisations available will go up from 18,530 to 30,000.

This allocation will increase by 30 per cent a year from 1995, with the aim of achieving full liberalisation in July 1998. Hauliers' organisations welcome this move but say that it has been achieved only at the expense of allowing some European Union members to introduce special permits to use their motorways.

Germany had refused to open its roads to outside competition until common charging had been agreed but its attempt to impose an annual DM9,000 (£3,000) on non-German trucks was outlawed as discriminatory in May 1992 by the European Court of Justice.

In an agreement reached in June, the 20-year wrangle over cabotage was ended when member states gave approval for Germany and four other countries to introduce a common fee or vignette for trucks of 12 tonnes and over travelling on motorways.

Germany, Belgium, the Netherlands, Denmark and Luxembourg have said they will charge nearly £1,000 a year per vehicle for a permit to use their roads from January 1995.

Operators with vehicles registered in one of these countries will have their excise duty reduced to cover all or part of the permits' cost. But operators based in other countries will get no such dispensation and so will be placed at a competitive disadvantage, the UK's Freight Transport Association (FTA) warns.

By charging for permits, these north European countries will in effect be bringing themselves into line with France and Italy, where tolls are are a standard feature of motorways. And while Britain does not yet impose motorway tolls, Mr John MacGregor, transport minister, seems set on moving to charging motorists for the use of roads to help fund the government's £23bn road-building programme.

The UK government favours a system of electronic tolling, probably requiring vehicles to carry a windscreen-mounted smart card which can be read at the tolling point. The Freight Transport Association says it has no objection in principle to plans for road tolls providing the funds raised are devoted to road construction.

Road tolls would represent an additional cost to the haulier on top of the vehicle excise duty already paid. Duties vary sharply from country to country although the European Commission is making attempts to harmonise rates.

A minimum rate of tax will apply to vehicles of 12 tonnes and over from January 1995 but the thresholds have been set so low as to have little real impact.

The rate for a 38-tonne vehicle, for example, has been set at Ecu454 (£350), far below that currently levied in the UK so it will do little, if anything, to increase excise rates in the cheaper countries. The floor rates will be reviewed but that will not be until January 1988, when the transitional period ends.

The UK government argued for a higher minimum threshold but says it regards the rates that have been set as a useful first stage.

"The agreement to establish floor rates marks a step towards ultimate harmonisation but only if the higher taxing states voluntarily peg back future increases," the FTA says. Unfortunately for hauliers in countries which impose high levels of excise duty, no maximum figure has been imposed.

Despite the move to liberalise the haulage industry in Europe, considerable cost differences remain between the different countries. The creation of the single market is intended to open up previously restricted local markets and road haulage is unlikely to escape this trend. The commercial pressures on the sector can only increase in the years ahead.

Charles Batchelor

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■ THE JAPANESE MARKET

Winter is not yet over

The past few years have been a long winter for Japan's commercial vehicle industry. The country's truck and bus makers have been forced to take unprecedented measures to survive the business downturn.

Nissan Diesel, the maker of heavy duty trucks and buses, last month agreed with its labour union to cut back its winter bonus payment by an average 7.2 per cent. It is the first time the company has had to renegotiate the bonus payment after agreeing the level in the spring.

Meanwhile, Hino Motors, Japan's largest maker of medium and heavy duty trucks, has embarked on an unusual diversification path which it hopes will enable it to derive about 10 per cent of its sales from new businesses by 2001. Hino has set up three separate companies to sell vertical parking lots and to provide consulting services in such areas as distribution and corporate identity.

> Nissan Diesel has had to cut its previously agreed 7.2 per cent bonus payment

The moves reflect the severity of the decline in demand facing Japanese commercial truck and bus manufacturers. Last year, sales of trucks in Japan fell for the fourth consecutive year, while those of buses declined for the second year in succession. As the economic slowdown continued unabated, new registrations of trucks were down 10 per cent while those of buses declined by nearly 6 per cent.

What is more, the expected recovery in business investment and consumer demand has not materialised in 1993, leading the country's large commercial vehicle makers to brace themselves for another year of disappointing results.

Strong demand for trucks that was expected from public works projects under the government's economic stimulus programme has failed to emerge so far, in the face of a series of bribery scandals that has rocked the construction industry and its local government customers.

Furthermore, Japan's economic recovery, when it comes, "will be an exceedingly gentle one," notes Hino Motors. As a result, commercial vehicle makers will have to wait some time before demand picks up, the company says.

As they face up to the undeniable changes in their business environment, commercial vehicle makers have adopted a number of emergency measures aimed at containing the damage.

To begin with, companies have been slashing costs across the board by hiring fewer seasonal workers, reducing overtime work and reining in general expenses. The large truck makers are aiming for double-digit reductions in their seasonal workforce over the next few years not only to reduce their costs but also to increase efficiency at facilities which have been running at below capacity.

The cost-cutting exercise has extended to capital investment, which is being focused on a more narrow range of products. For example, Hino Motors cut capital expenditure by 19 per cent last year.

In common with Japan's car makers, commercial vehicle makers are also attempting to reduce the number of models they offer and to standardise parts. The move is a reaction to the years of expansion in the late 1980s when many Japanese manufacturers increased their product range and line-up of options with little regard to cost efficiency.

But with the contraction of the Japanese market and rapid appreciation of the yen, which has made commercial vehicles less competitive abroad, manufacturers have been forced to concentrate their energies on fewer models and trim product options to cut costs.

Going a step further, some automobile makers have taken the plunge in tying up with rival companies to provide each other with product and thereby curb development and production costs.

Nissan, Mazda and Fuji Heavy, for example, agreed earlier this year to supply each other with commercial vehicles on an original equipment manufacture basis. Nissan will thus sell Mazda trucks under its own badge and vice versa.

The arrangement allows the companies to cut development and production costs on models which are not profitable enough to justify the expensive investments required but which are needed to complement their product range.

Meanwhile, Isuzu has pulled out of passenger car manufacture altogether. Instead of splitting its energies between commercial and passenger vehicle production, Isuzu will concentrate on the commercial side where it has proven strength.

To continue providing its customers with its range of cars, Isuzu is buying them from Honda and supplying its partner in turn with recreational vehicles – the Jeep-like cars that are closer to trucks in construction.

Another trend in the recessionary trading environment is the growing interest in Asian markets, particularly China. While Japan's domestic market remains in the doldrums and markets in the west remain under pressure, buoyant demand from Asian countries has given firm support to the operations of Japanese commercial vehicle makers, although earnings from these markets have also been adversely affected by the high yen.

> In a recessionary period, one trend is the growing interest in Asian markets, particularly China

Expectations of a slow Japanese market and growing demand in Asia have led many Japanese automobile makers to place their hopes on plans for the regional market.

Hino Motors, for example, has set up a joint venture company with one of China's big five bus makers to manufacture and market buses. Nissan is also setting up a joint venture in China to produce pick-up trucks.

While the cautious moves into China by Japanese vehicle makers are modest steps, compared with their investments in the US or Europe, they reflect the growing need of Japanese companies to develop new markets overseas and reduce their dependence on the home market.

In the short term, as the companies themselves would be the first to concede, Japan's market is unlikely to provide the commercial vehicle industry with the strong recovery it would need for a marked rebound in their business performance.

Nevertheless, as more public works projects start to come through, demand for trucks is bound to pick up while in the more medium term, the corporate restructuring and moderate consolidation taking place in the industry should start to bring benefits as well.

Michiyo Nakamoto

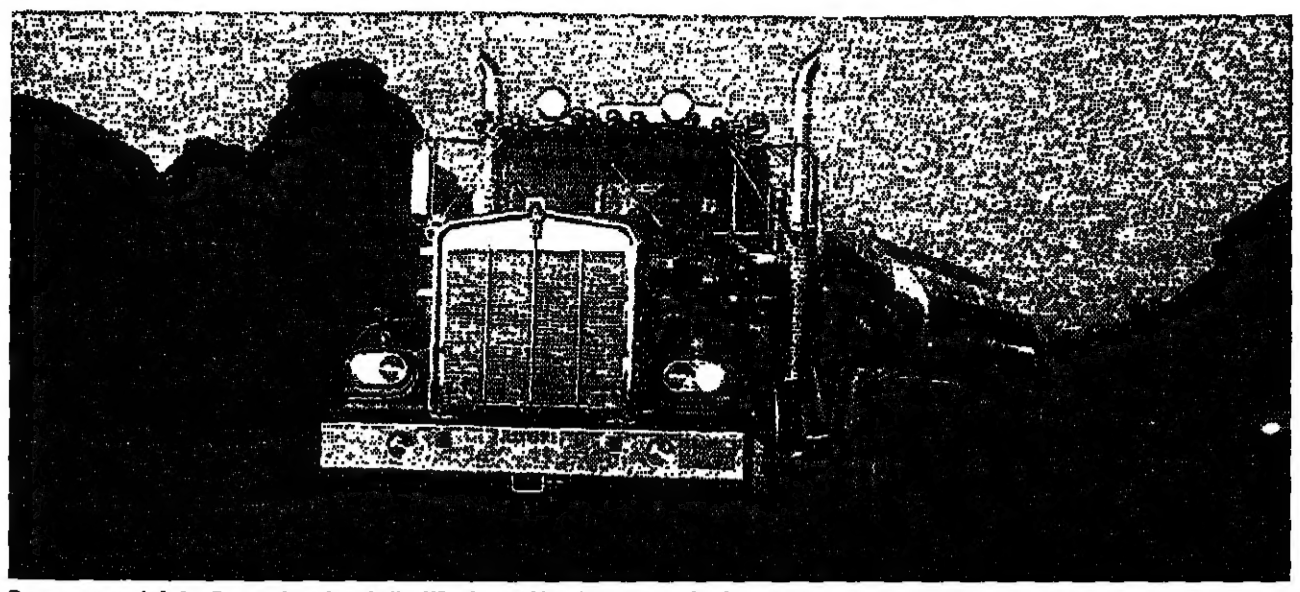
Frank McGurty looks at the factors contributing to a surge in sales

US truck orders run in high gear

If the number of heavy-duty trucks rolling off US assembly lines were a sure indication of gathering economic strength, the Clinton administration would have good cause to be cheerful.

Manufacturers of class 8 lorries – mostly large, over-the-road tractor-trailers – are enjoying a boom year, with retail sales in the first nine months of 1993 running more than 35 per cent ahead of last year's level.

More importantly, current production or "builds", which analysts use to gauge quarterly earnings, and orders, which point to future performance, have risen to their highest levels since 1979, just before deregulation brought greater efficiency to the freight haulage industry and reduced demand for new vehicles.



Paccar – one of six leading truck-makers in the US – is considered by many to be the best-run

Industry analysts agree that new truck orders lead the economy by a year or more. Output of heavy lorries generally shows a close correlation with manufacturing activity, as well as trends in freight movements. Big US trucking fleets, the theory goes, buy vehicles in the expectation of increased demand by factories, mines and utilities for hauling raw materials and semi-finished goods.

In the event, industrial production has resembled a big rig driving through city traffic. It has moved in fits and starts, showing signs of smooth acceleration only during the past two months.

By contrast, heavy duty truck orders are running in high gear. Analysts have raised their estimates of 1993's retail sales to nearly 155,000 vehicles, a 30 per cent increase on last year's figure.

The modest recovery in US manufacturing and strong capital investment spending are helping to lift the heavy duty market, while a mix of unrelated factors is also fuelling the sales surge, analysts say.

Some of these broad developments have boosted demand for trucking services, while others – such as a heightened emphasis on fuel efficiency, heavy turnover of trained drivers and more stringent emission standards – have encouraged fleet operators to upgrade their equipment more frequently or ahead of schedule.

The pattern among foreign manufacturers to build more of their products in the US, rather than import them, has had some impact. Mercedes, for one, announced plans last month to build a car plant in Alabama – its first outside Germany.

Ms Maril Macdonald, vice-president of corporate communications at Navistar International, which leads the industry in combined sales of heavy and medium-duty trucks, says that the relocation of foreign-owned factories to the US in recent years has boosted trucking tonnage and, in turn, lorry orders.

The extra push has come at a propitious time. During the recession of 1989-91, many large trucking operators and truck-leasing companies, which normally replace their equipment every five to six years, withheld their orders. With the onset of renewed economic optimism in mid-1992, the pent-up demand began to feed into the market. As a result, net orders by the end of last year rose 74 per cent above depressed 1991 levels.

Since then, says Mr Gary McManus, an analyst with Kemper Securities in New York, lorry makers have allowed their backlogs to build to a 13-year high. The six leading heavy duty truck manufacturers – Freightliner, Navistar, Paccar, Ford, Mack and Volvo-GM – are now operating at nearly full capacity, which allows for much more efficient production.

Paccar, considered by many to be the best run truck-maker in the US, this year opened a truck assembly facility in Renton, Washington. By early 1995, Freightliner, part of Daimler-Benz, plans to increase annual production capacity by 25 per cent.

Full production schedules have brought slightly firmer prices in recent months, according to Mr Matt Stover, who follows the market for Bears Stearns in New York. In general, however, the pricing environment has been fiercely competitive, with most of the demand coming from well-financed fleet operators which can command bigger discounts than owner-operators. Navistar says that comparable prices have risen by only 1 per cent in the past eight years.

Freightliner, thanks in part to Daimler-Benz's deep pockets, has shown most willingness to undercut its rivals to gain market share. After taking the lead in 1992, it has stayed on top in 1993, with about 23 per cent of the heavy duty market, which represents a 10-point gain over the past decade.

Nevertheless, after pulling out of the red in 1992, Freightliner says it has turned a substantial profit this year, a claim only one of its competitors – Paccar – can make. Daimler-Benz does not report separate results for Freightliner.

By contrast, Mack, which is wholly owned by Renault of France, says it has cut its losses and expects to become profitable in the second quarter of 1994. Volvo-GM, controlled by the Swedish automotive group, also expects to turn a modest profit this year.

For Navistar, this year has brought a return to profitability. In the second quarter, the group – the surviving operations of once mighty International Harvester – edged back into the black after 10 consecutive quarterly losses on the back of strong sales volume. In its fourth quarter, the group's net income was 28 cents a share compared with a loss of $1.46 in the same quarter last year.

The red ink had resurfaced in the third quarter, but the $312m loss reflected a one-time charge of $513m relating to a landmark deal agreed with the United Auto Workers to cut post-retirement benefits. The plan, approved in July, is expected to save the company $200m a year.

"Navistar is making money, but it's not printing it," says Mr Robert McCarthy, an analyst with Duff & Phelps in Chicago. He raises doubts over whether the group will be able to sustain its momentum when the market returns to more normal, single-digit growth.

In the short term, Navistar, along with other manufacturers, has benefited from the desire of truckers to maximise the fuel efficiency of their vehicles and lower operating costs. New trucks are 5 to 7 per cent more fuel-efficient than models built in the late 1980s, says Mr John McGinty, an analyst with First Boston.

Navistar's 9200 series, which features lighter weight and more aerodynamic styling, has helped lift the group's class 8 market share in the first nine months of 1993 by nearly a point.

Mack, with its CL and CH series of fuel-efficient heavy lorries, has gained about half a point to nearly 11 per cent. By contrast, Ford, which has made no changes in its product line since 1988, has dropped below Mack in sales.

Navistar, leader in the class 6 and class 7 medium-duty segment, is poised to take advantage of an expected acceleration in the intermediate segment. An upswing in orders for retail delivery trucks, school buses and lighter construction vehicles is forecast if the consumer side of the economy begins to pick up steam in 1994.

In the first nine months of this year, the medium-duty market – from class 4 (where Ford continues to dominate) to class 7 – grew at a more moderate 11.5 per cent.

■ EMISSIONS AND NOISE REGULATIONS

Screws will tighten again

Stricter exhaust emission limits for new trucks came into effect throughout the European Union two months ago.

Despite some grumblings when the standards were announced several years ago, truck manufacturers have had relatively little difficulty meeting them – though the investments in new technology have been substantial.

In the mid-1990s, the screws will be tightened further.

"Euro II" standards will come into force for new designs of trucks from October 1 1995, and for all trucks emerging from production lines from October 1 1996.

The standards will require further cuts in emissions of oxides of nitrogen – a cause of acid rain – carbon monoxide and particulates – the well-known diesel "soot".

Truck exhaust emission standards in the EU*
(grammes per kilowatt hour)

Introduction date	NOX	HC	CO	Particulates
Euro 1 (new models) Jul 1 1992 Euro 1 (all production) Oct 1 1993	8	1.1	4.5	0.36
Euro II (new models) Oct 1 1995 Euro II (all production) Oct 1 1996	7	1.1	4	0.15†

*For engines above 150 kilowatts (brake horsepower
†Envisages diesel fuel containing less than 0.05 per cent sulphur by weight

To achieve the Euro II standards, the petroleum industry must become involved, as the sulphur content of diesel fuel needs to be reduced if particulate emissions are to be cut substantially.

Under a EU-set timetable, the 0.2-0.3 per cent sulphur content usual in diesel fuels will have dropped to a maximum of 0.05 per cent by the time Euro II is fully effective. To cater for the first stage of the Euro II standards, by October 1 1995 at least 25 per cent of the diesel fuel available in EU member states must be below the 0.05 per cent ceiling.

Around the end of the decade, yet another tightening can be expected, with the standards based on a new test driving cycle reflecting "real life" road conditions in Europe.

The current EU test driving cycle – simulating a supposedly typical journey and on which emissions are measured – is a much-criticised slow speed one, still not reflecting that 80 per cent of the EU's goods are moved by truck and across ever-longer distances along high-speed motorways.

Despite such measures, says Mr Sten Langenius, president and chief executive of Sweden's Volvo Truck Corporation, technology's advance is such that emissions will cease to be an issue by 2005.

By then, he predicts, emissions of nitrogen oxides, for example, will be more than halved compared with the Euro II standards, to 2 grammes per brake horsepower. Emissions of particulates – accused of being a carcinogen – will fall proportionately more as fuel formulation improves.

Volvo Truck, one of the world's biggest truck makers, earlier this year underlined the industry's long-term commitment to the diesel with the launch of its new FH heavy truck range – the result of a seven-year development programme costing £600m.

The trucks are powered by an all-new 12-litre diesel engine which accounts for nearly half the total spending.

Using a combination of old and new technologies, it is capable, says Volvo, of meeting all current environmental standards anywhere in the world. More important, Volvo expects it to meet all future standards to the end of the decade without any significant redesign. The unit uses new, high-pressure fuel injection technology from Lucas, the UK motor components and aerospace group. The "EUI" (electronic unit injector) operates at very high pressure – 1800 bar - and can make instantaneous adjustments to fuelling quantity and timing in each injector, under the control of a central computer which takes readings from various sensors around the engine.

Other leading truck makers have little choice but to make similar investments if they wish to stay in the game – and some, like DAF with its excursion into receivership this year, have had great difficulty in doing so. Iveco, Fiat's commercial vehicles arm, is spending around £1bn on truck engines as part of an overall £2.5bn vehicle renewal programme.

Mr Leif Ostling, general manager of Scania Truck and Buses, Volvo's Swedish rival, says that technology improvements linked to emissions will have other pay-offs. Engines that have to work less hard also produce fewer emissions and there should be further scope for a reduction in energy consumption from non-engine related improvements. Aerodynamics, rolling resistance and weight reduction improvements have already cut energy consumption by one half per tonne-kilometre over the past 20 years, he points out.

Emissions, however, are not the only major environmental issue confronting trucks. The other is noise.

Under an EU directive to become effective in October 1995, an 80-decibel limit will be introduced for trucks, based on the vehicle passing a pair of microphones at 50kmh.

Manufacturers will find it a difficult target to meet as a relatively small drop in decibel rating can mean a large reduction in perceived noise.

As Mr Ostling points out, the noise emitted by Scania (and most other) trucks has fallen by 8dB (A) over the past decade – equivalent to an 84 per cent drop in perceived noise. But this remains well above the planned EU level and truck makers are arguing that the problem now lies more with the way noise is measured than the actual amount of noise made by the vehicle.

John Griffiths

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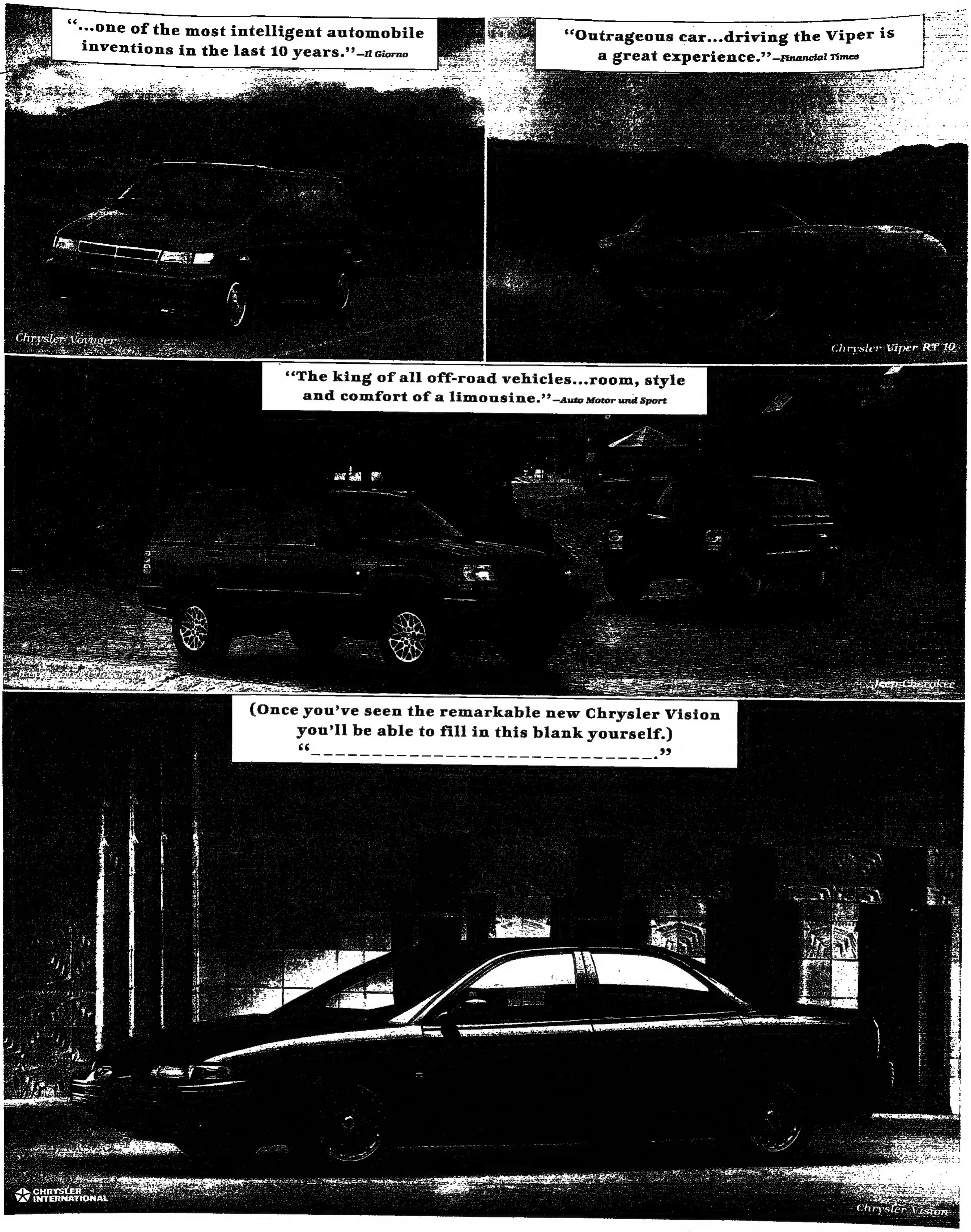

If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

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